

December 5 1991
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Austria	Schilling	100	13.76
Belgium	Franc	100	36.36
Denmark	Krone	100	6.46
France	Franc	100	6.55
Germany	Mark	100	1.93
Greece	Drachma	100	200.48
Italy	Lira	100	2036.27
Japan	Yen	100	163.60
Norway	Krone	100	4.76
Sweden	Krona	100	4.66
Switzerland	Franc	100	7.20
UK	Pound	100	1.78
US	Dollar	100	1.00

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THE FINANCIAL TIMES LIMITED 1991

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

Friday December 6 1991

D 8523A

BANKING CRISIS

Changing times
in Norway

Page 25

World News Business Summary

Bush names Skinner as White House chief of staff

President George Bush appointed Samuel Skinner as chief of staff in place of John Sununu, the former governor of New Hampshire, who resigned earlier this week. Page 20

Yeltsin treaty warning
Russian president Boris Yeltsin warned that a union treaty between the former Soviet states was impossible without the Ukraine. Page 2

Backing for Libya
The Arab League, in a show of support for Libya, called on the UN to join it in studying western charges that Tripoli was behind the 1988 bombing of a US jumbo jet over Scotland. Page 4

Cresson about-turn
A revolt by parliament members of France's governing Socialists has forced the cabinet of Edith Cresson into an about-turn in its compensation scheme for blood transfusion victims infected with Aids and other diseases. Page 2

Uranium missing
The UK Atomic Energy Authority shut down its Dounreay nuclear reprocessing plant in Caithness, Scotland, after the discovery that it had mislaid about 20lb of highly enriched uranium - just enough to make an atomic bomb. Page 8

Wales's power plea
President Lach Wales urged parliament to give him greater powers to appoint Poland's government and then to allow the council of ministers to legislate by decree. Page 3

Bosnia wants UN help
Officials from the Yugoslav republic of Bosnia-Herzegovina want UN peacekeeping troops to be sent to the ethnically-mixed region. Page 3

Junk bond conviction
Charles Keating, a key figure in the US savings and loan scandal, has been convicted on 17 counts of defrauding investors of millions of dollars through the sale of worthless junk bonds. Page 6

Marcos payments denied
Seven Japanese companies denied accusations in Manila that they had paid \$54.8m in illegal kickbacks to the family of the late President Marcos of the Philippines. Page 4

Hoxha widow arrested
The widow of Albanian dictator Enver Hoxha has been arrested on corruption charges, the country's chief investigator announced.

Shooting spree kills 38
Suspected Sikh insurgents went on a 20-minute shooting spree in the northern Indian town of Tarnana in Haryana state, killing at least 38 people.

Sir Roy Welensky dies
Former Rhodesian Federation prime minister Sir Roy Welensky died in hospital in Dorset, England, aged 84.

Taken to the cleaners
Diplomatic mail from Canada's high commission in London was sent by mistake to a London jail to be laundered with empty mailbags. Page 6

Bundesbank warns unions against high wage claims

The Bundesbank yesterday issued a stern warning to German trade unions not to push for higher wage deals next year. Recent wage claims have exceeded 10 per cent, with settlements at nearly 7 per cent. The German central bank made clear it was not loosening the reins while inflation remained high. It set a 1992 target range of between 3.5 per cent and 5.5 per cent for M3, the broad monetary aggregate. Page 2

IBM of the US is creating three subsidiaries and restructuring operations as part of sweeping changes at the world's biggest computer company. One arm will take over computer printer operations, another data storage products and the third, personnel hiring services. Page 21. Details, Page 26

ASTRA, Swedish pharmaceuticals group, has agreed terms with US drug giant Merck to form a joint venture to market Astra's products in the US. Astra can acquire 50 per cent of the new company. Analysts believe the stake could cost \$500m.

HEINEKEN, Dutch brewery group and the world's third biggest, is to build and run a beer brewery near Ho Chi Minh City, Vietnam. Page 21

METALLGESELLSCHAFT, German metals to engineering group, reported a 35 per cent pre-tax profit for 1991 (\$190m) in the year to end September but hopes for better results this year. Page 21

DEUTSCHE BANK, Germany's biggest, increased group operating profits by 21.7 per cent to DM6.6bn in the first 10 months of the year and forecast a good full-year result. Page 24

BRITISH AEROSPACE is negotiating to merge its space business with that of Matra Marconi Space, a joint venture between Matra of France and the UK's General Electric Company. Page 21

PIELKINGTON shares gained 10p to 121p in London despite a halving of the UK-based glass maker's interim pre-tax profits to \$50.6m (\$89.6). The results were better than analysts had expected. Page 21; Lex, Page 20

GRAND METROPOLITAN, international food, drink and retailing group, beat market forecasts with a 4.3 per cent rise in annual pre-tax profits to \$963m (\$544.1m) and forecast more progress in 1992. Page 21

AUSTRALIA's gross domestic product slipped to 0.3 per cent in the three months to September. The announcement came hours after treasurer John Kerin declared the economy had emerged from recession. Page 4

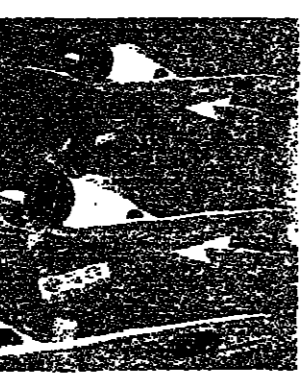
UK GAS: British government is poised to sign a treaty that will allow the first exports of gas from the UK to the Continent. The deal is with the Netherlands. Page 32

ARGENTINA's inflation rate has fallen to its lowest for 20 years. Retail prices rose only 0.4 per cent in November, equivalent to an annual rate of less than 5 per cent. Page 20

Weekend FT

Tomorrow: Fifty years after Pearl Harbor the US tries to come to terms with Japan

A strange duet in Salzburg



Central bank attempts to restore dwindling foreign confidence in the krona Sweden lifts bank rate by six points

By Robert Taylor in Stockholm and Jim McCallum in London

SWEDEN'S central bank yesterday introduced a swingeing rise in interest rates in an attempt to restore dwindling foreign confidence in the krona. The bank's marginal interest rate to banks was lifted by 6 percentage points from 11.5 to 17.5 per cent after a heavy net outflow of capital from the country, amounting to more than SKr26bn in the past two-and-a-half weeks. Mr Carl Bildt, the Swedish prime minister, said the rise was necessary to show the country's determination not to devalue and to stand by its current exchange rate policy. "We have been infected by Finland, but we have not got the disease," he said, adding that the rise was "a tough measure at a tough time to make a tough policy possible - but there's no other way". Mrs Ann Wibble, the finance minister, also stressed that the increase would underline that there was no alternative to the present strategy. The government said it would pursue strict monetary policies in line with those of the European Community which it hopes to join on January 1 1995. The financial crisis of confidence affecting Sweden has brought to a sudden end the brief honeymoon of the non-socialist coalition which took office less than two months ago without an overall parliamentary majority. Mr Bildt insisted the government would be able to achieve the necessary part to achieve support for its free market poli-

**Sweden puts brave face on
savage rate rise**.....Page 2
Lex.....Page 18
**Norwegian banking
crisis**.....Page 25

cies to revive the Swedish economy. The rightwing populist New Democracy party, which holds the balance of power, said it would back government measures to cut spending, including a year's freeze on the value of child allowances. Along with the overall effect of sharply higher interest rates on the population generally, the bank's move will particularly hit Swedish industry, which is already in deep recession.

Mr Ingvar Carlsson, the Social Democratic leader, said the rate rise could only deepen Sweden's economic recession and cause higher unemployment. The jobless rate, now 3.1 per cent and rising, is politically sensitive in a country used to full employment. Mr Bengt Dennis, the central bank governor, sought to reassure Swedes worried about how the higher rates would hit their home loans. "Our experience from the 1980s is that these big interest rate increases do not remain in force for very long," he said. Both Mr Bildt and the Mr Dennis blamed "circumstances outside Sweden's borders" for the rapid deterioration in capital flows. In particular they denounced the effects of Finland's 12.2 per cent devaluation of the markka on 15 November.

Mr Dennis said overseas confidence in the krona had also been hit by concern over the heavy losses of the Nordic banking system and by uncertainties surrounding next week's EC summit at Maastricht. He said there had been strong efforts to persuade international markets that Sweden's problems were different from those of Finland, but these had as yet had little effect. Overseas investors are looking ahead to the detail of the government's first budget - due on 10 January - to see whether the coalition will be able to make the necessary spending cuts to restore confidence in the economy and introduce measures to contain

Sweden's soaring budget deficit which forecasts indicate could climb to SKr-60bn in 1992-1993. On foreign markets yesterday, international investors sold krona but Swedish companies, encouraged by the bank's action, turned buyers. Mr Jöran Brånner, chief currency trader at Skandinaviska Enskilda Banken's London branch said the central bank had spent almost 25 per cent of its reserves defending the krona in the past two weeks. Yesterday the central bank was selling to rebuild its depleted reserves. There were fears last night that the currency crisis in Sweden could also affect the Norwegian krone where interest rates might also have to rise to calm the markets.

All Maxwell assets up for sale in break-up of private companies

By Robert Peston, Raymond Snoddy and Roland Rudd in London

MR ROBERT MAXWELL and his two youngest sons were together responsible for making loans from the Mirror Group Newspapers pension fund to the family's private companies, according to senior directors of the company. This emerged as Mr Kevin Maxwell and Mr Ian Maxwell owned tens of millions by the Maxwell private companies. "We were all expecting this, but it does not make it any easier when it happens". The outlook is worse for the public companies, MGN and Maxwell Communication Corporation, which together are owed about £700m. Their pension funds are likely to receive no more than £100m of the £400m they are owed. MGN said yesterday that at least £350m had been removed from

EMPIRE'S COLLAPSE

Pages 22-23

- US paper files petition for protection
- Wreckage likely to claim some victims
- The European waits for news of its future
- Family may become richer-to-rags story
- Government to restrict pension fund investment

Lex.....Page 20

of the £900m (£1.6bn) they have lent to the private companies. "It has been ghastly today", said a director of one bank owed tens of millions by the Maxwell private companies. "We were all expecting this, but it does not make it any easier when it happens". The outlook is worse for the public companies, MGN and Maxwell Communication Corporation, which together are owed about £700m. Their pension funds are likely to receive no more than £100m of the £400m they are owed. MGN said yesterday that at least £350m had been removed from

its pension fund alone. The public companies may get nothing at all. MCC secretly lent at least £240m to the private companies. MGN believes that a further £50m has disappeared from its accounts, on top of the £45m which vanished after it was supposed to be invested in gifts by a Maxwell private company. In a separate development, Swiss Bank Corporation - which issued the original invitation to Britain's Serious Fraud Office to investigate the private companies - yesterday announced its own receivers, the accountants Touche Ross, to a Maxwell private company in order to recover £35m. The big UK clearing banks are owed an estimated £435m by the private companies. NatWest, which led the attempts to save the companies from administration, is owed at least £150m. Bankers said that NatWest's total exposure could be £220m. Lloyds is second biggest UK bank creditor, owed at least £90m and possibly as much as £120m. Bank share prices fell sharply yesterday because of fears about the losses they face on their Maxwell exposure. Bankers warned that MCC's value could be slight, because of its exposure to the private



European president Jacques Delors in Brussels yesterday. Delors makes light of UK worries about the 'F-word'. Page 2

Areas for EC unity become clearer

By David Buchan
in Brussels

THE areas - but not the shape of compromises between European Community leaders at next week's Maastricht summit became clearer last night as the Dutch presidency produced its final draft treaty on political union. A letter accompanying the final draft said it contained no new proposals on the "federal" wording of the treaty's preamble, or on the social policy provisions the UK is strongly contesting, or on Spain's demands for "cohesion" money for poorer states. But the Dutch presidency "is ready to present new proposals" on these issues at Maastricht. A senior UK official predicted these three issues would be "the last to be settled" at the summit which is planned for next Monday and Tuesday, but which may run on to Wednesday. It has become clear that Britain will succeed in having removed the current preamble's reference to the European union having "a federal goal." It has been assumed that Britain would have to concede

Continued on Page 20
Summit countdown. Page 2
UK cabinet meeting. Page 6

Agnellis volunteer to bid for all of Perrier holding group

By William Dawkins in Paris

ITALY'S Agnelli family yesterday enlarged its offer for two thirds of Exor, the holding group which controls Source Perrier, the leading French mineral water group, to include all of Exor's shares. The move will cost £11m, an Agnelli holding company, an extra FF1.8bn (\$184m) if all Exor shareholders accept. The gesture is significant because it is not necessary under French law (the CBV) gave its blessing to the bid by Pinault, the timber to furniture retailing group, for Au Printemps, the Parisian department stores and mail order concern. Pinault confirmed it was not planning to follow Exor's example by extending its offer, since the CBV had clearly declared it to be acting within the rules. Under French takeover law, a two thirds bid is triggered once an investor buys a third

Lex.....Page 18
**Step forward for French
investors**.....Page 24
**Wagon-Lits bid request to
Accor**.....Page 27

take control of the Franco-Belgian travel group. France's stock exchange regulator, the Conseil des Bourses (the CBV) gave its blessing to the bid by Pinault, the timber to furniture retailing group, for Au Printemps, the Parisian department stores and mail order concern. Pinault confirmed it was not planning to follow Exor's example by extending its offer, since the CBV had clearly declared it to be acting within the rules. Under French takeover law, a two thirds bid is triggered once an investor buys a third

of the shares in a company, while a full bid is only required once the 50 per cent threshold is passed. In the UK, a full bid is triggered once an investor has reached 30 per cent. Exor gave no explanation of its decision yesterday beyond pointing out that it was responding to "the expectations of numerous minority shareholders in Exor". The Agnellis are believed to have been surprised by the criticism attracted by their two-thirds offer, from powerful French financial institutions like the Suez financial and industrial conglomerate and the Credit Agricole co-operative bank which have stakes in Exor and Perrier. On top of this, French press reports have played on the spectre of an Italian industrial invasion, citing the Agnelli's extensive French industrial interests and the control of the Béghin-Say sugar group by Ferruzzi.

CONTENTS

Swedish economy: Putting a brave face on the savage rise in interest rates.....	2
Hungarian transitions: Public servants take the political risk.....	3
Survey: Colombia moves towards political and economic liberalisation.....	9-12
Editorial comment: Sweden's crisis and Europe's economy: far-right politics.....	18
Technology: Research company aims for user-friendly gadgets.....	14
Brazilian sell-off: Teagars and riots have not stopped the privatisation programme.....	5
German rescue: Money pours in to keep the Ruhr alive.....	18
International.....	4
Commodities.....	24-26
America.....	5
World Trade.....	3
Britain.....	6
Companies.....	21-23
Arts Guide + Reviews.....	17
Lex.....	32
Crossword.....	40
Currencies & money.....	40
Editorial Comment.....	18
Gold.....	32
Int'l. Capital Markets.....	22-28
Letters.....	19
Management.....	13
Observer.....	19
Property.....	16
Stock Markets.....	41
World.....	33
Technology.....	14
Unit Trusts.....	35-38
World Index.....	44

50 years after Pearl Harbor, Japan shrugs off the guilt

Declaring Tokyo guilty of a "dastardly, unprovoked attack", President Roosevelt asks Congress to declare war on Japan. Fifty years after the strike on Pearl Harbor, Japan has still failed to come to terms with its war-time past. Page 4

Int'l. Capital Markets.....	22-28
Letters.....	19
Management.....	13
Observer.....	19
Property.....	16
Stock Markets.....	41
World.....	33
Technology.....	14
Unit Trusts.....	35-38
World Index.....	44

MARKETS

STERLING New York lunchtime: \$1.797 London: \$1.7935 (1.7735) DM2.85 (2.8625) FF9.7375 (9.79) Sfr2.525 (2.535) Y230.75 (229.75) £ Index 90.8 (90.5)	DOLLAR New York lunchtime: DM1.8875 FF9.424 Sfr1.4065 Y128.65 London: DM1.889 (1.814) FF9.43 (5.52) Sfr1.4075 (1.423) Y128.70 (129.5) £ Index 92.5 (93.2) Tokyo close: Y128.85 Tokyo: Nikkei 22,459.17 (-210.27) LONDON MONEY 3-month interbank: 10 1/4 (same) Life long gilt future: Dec 91 154 1/2	STOCK INDICES FT-SE 100: 2,407.0 (-16.8) FT-A All-Share: 1,156.71 (-0.8%) FT-SE Eurotrack 100: 1,050.13 (-4.07) New York: DJ Ind. Av. 2,890.43 (-21.24) S&P Comp 377.25 (-2.81) Tokyo: Nikkei 22,459.17 (-210.27) LONDON MONEY 3-month interbank: 10 1/4 (same) Life long gilt future: Dec 91 154 1/2
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It's coming your way at 150 mph.

ARRIVING FEB 3RD

EUROPEAN NEWS

Death of the D-Mark was greatly exaggerated

By Christopher Parkes in Bonn

GERMANY woke up with a start yesterday to the realities of Maastricht and its aftermath.

"Mark to be abolished," howled the mass-circulation daily *Bild*. "The D-Mark is our gift to Europe," proposed *Die Welt*, its grown-up sister publication. "German industry warns against over-hasty monetary union," droned the pious *Handelsblatt*.

The muted public debate, previously confined to the commentary columns of the heavy press, boiled up unexpectedly yesterday in popular papers which rarely deign to raise their sights higher than chest-level.

Bankers babbled soothingly on early morning radio that they had serious doubts that the introduction of a common currency could be achieved by the end of the century, and in any case the prospect of having the European central bank based in Frankfurt was some compensation.

An 88-year-old woman, interviewed in Munich, said the name or nature of the currency in 2000 would make no difference to her.

"We have not sacrificed the D-Mark," Mr Theo Weigel, the 53-year-old finance minister, told the Bundestag. "Nor have we given it away to Europe. It



Bild headline: Our lovely money: the mark to be abolished

is and remains the symbol of German stability."

Bild, mourning "Our beautiful money" in inch-high letters, had repaid its 5m-odd purchasers with an accusatory tale of hinting at conspiracy. Did readers know, it asked, that they would soon be carrying European chocolate money known as Ecus in their purses?

Politicians, bankers and economists knew, but none is and remains the symbol of German stability."

Stability, which yesterday emerged as the German equivalent of a word against. Why? Could Germany afford to give away what it had worked so hard to build? The paper offered no answers, only a conclusion: "Adieu, stability."

Stability, which yesterday emerged as the German equivalent of a word against. Why? Could Germany afford to give away what it had worked so hard to build? The paper offered no answers, only a conclusion: "Adieu, stability."

EC's chief 'mechanic' gets down to nuts and bolts

Delors makes light of UK's worries about the 'F-word'

By David Gardner in Brussels

"NO ENGLISH? This is a serious game... I trust it is not an omen," Mr Jacques Delors quipped yesterday as the English translation channel sputtered out at the beginning of his pre-Maastricht press conference.

The president of the European Commission was balancing optimism of the will – and spiky good humour – against the pessimism of his formidable intellect, about the likely outcome of next week's summit on economic, monetary and political union.

He was also being rather nice about the British – while rubbishing most of their ideas and numerous caveats about European integration.

Accosted by F-wordy British journalists, he insisted that "federalism is a system which does not concentrate power but shares it out."

"It is a guarantee against the encroachment of bureaucracy, against a Berlaymont gone mad – if we haven't been driven mad already."

Mr Delors was less interested in federalism than another Euro F-word, the layers of Fudge in the draft treaty on political union which he believes make parts of it inoperable.

Three times he said the mechanism for a common foreign policy would not work. This requires unanimous decisions of policy before implementation by majority vote.

What minimalist British officials who reject even this have taken to calling the "colour of the Land Rover clause."

If we were meeting the East Europeans, Mr Delors said, first we would have to decide, unanimously, whether it was to be in Warsaw, Budapest or



Prague. Then we would all have to agree whether we were going by plane. Lunch? We would need an opt-out clause for vegetarians. No doubt we would use majority voting to decide where the smoking and non-smoking sections should be.

The Commission president said he would have "to see whether the car that people are trying to sell us is a good runner. We're not in the driving seat; we're the garage mechanics, but we have to say what we think, and I'm saying it won't work."

He asked Britain if it "believes that union brings strength."

"I believe Great Britain has the best diplomatic service in the world," he went on: "I don't see why it should be worried about foreign policy."

"The same goes for monetary union," he added, gently chiding the UK for a reticence few in the Commission take at face value.

On the crunch issue for the UK of more EC social policy, he was also understanding about Tory horror of "socialism by the back Delors."

I am very aware of their problems over industrial relations... but opting out could

create a dangerous precedent," he said, "a distortion of competition."

"We would have recognised one country as a paradise for foreign investment, particularly Japanese investment," he said, as Delors the impassioned polemicist flashed briefly to life. "Then wouldn't Spain want to opt out on the environment?"

The "minimum provisions" of the EC Social Charter "are accepted by even the least developed countries of the Community," he fumed. "It cannot be a question of production costs. It must be a question of ideology."

Money demands by poorer EC states pose as much of a threat as Britain's general reluctance, he said. "One has forgotten that there are other countries which might say at the end 'this won't do'."

"It won't just be Britain against all the others."

Spain is spearheading demands for rich states to pledge to invest more funds to Spain itself, Ireland, Greece and Portugal – the four poorer states – under a principle known as "economic and social cohesion."

Asked whether he would resign rather than accept an emasculated European Union, Mr Delors said he would appear at the final Maastricht press conference, and say only that he would be consulting the full Commission.

But unable to resist a last joke, he added: "And I will be holding the treaty like this."

Stapled to the bottom of his folder was a triumphantist British press headline: "Ever Weaker Union."

Russian president says status of Ukraine holds key to future Yeltsin warns of union deadlock

By John Lloyd in Moscow

MR Boris Yeltsin, the Russian President, yesterday warned that a union treaty between the former Soviet states was impossible without the Ukraine.

His comments, coming after further disavowals yesterday from the Ukrainian leadership of any intent to sign either the union or the economic treaties, appears to mark the end of efforts to find a new confederation to replace the Soviet Union.

Speaking after a meeting with Mr Mikhail Gorbachev which he described as "complex" and which Mr Gorbachev called "Frank", Mr Yeltsin said that "if Ukraine will not be in the union, then I myself cannot represent such a union. If Ukraine does enter the union, then so will Russia. I think that the (Russian) Supreme Soviet will support that."

Mr Yeltsin flies to Minsk tomorrow for talks with the Ukrainian and Belorussian leaders on a possible loose grouping of the three Slav states, and to sign an economic treaty with Belorussia. On Monday, Mr Gorbachev will meet Mr Leonid Kravchuk, the Ukrainian president, in Moscow.

Mr Gorbachev, who has several times threatened resignation if a union treaty is not signed, said that he saw no alternative to a union, but that it could hardly exist without Ukraine. However, he hoped that the meetings in Minsk and Moscow would bring some change – and said: "Don't put a full stop on everything yet."

Mr Yeltsin's plans for economic reform are now threatening to tear apart his government, as bitter feuding over the reform broke out into the open yesterday.

At the same time, the Russian government announced its intention to proceed with widespread price rises in 10 days' time.

Mr Alexander Rutskoi, the Russian vice-president, is coming under heavy pressure to resign, following a month of increasingly overt attacks on policies towards ethnic separatism and economic chaos.

Avoiding direct criticism of Mr Yeltsin, he has nevertheless bitterly attacked the Russian



Oath of office: the Ukrainian president, Mr Leonid Kravchuk, being sworn in yesterday in Kiev

parliament's decision – agreed by Mr Yeltsin – to withdraw troops from the rebellious republic of Chechen Ingushetia, who were sent to restore order; and he continues a salvo of abuse directed at the plans of the new Russian cabinet to free most prices as a prelude to further reforms.

The vice-president, a former air force colonel and prisoner of the Afghan Mujahideen, is seen by many as positioning himself to benefit from the wave of popular discontent now growing over shortage of food, and set to increase once prices are raised.

The evening paper, *Izvestia*, yesterday reported that the general view in political circles

was that "if a new putsch happens, Rutskoi will lead it". He has called the new ministers – headed by Mr Egor Gaidar and Mr Alexander Shokhin, joint deputy premiers – "people in short trousers", emphasising their youth and inexperience and, on his return from a tour round Siberian cities, he has forecast a social explosion once the prices are raised.

However, Mr Gaidar yesterday repeat the government's intention to free prices shortly, in spite of pleas from other republics to delay the measure to give them time to prepare for the shock waves of Russia's reform.

Earlier this week, Mr Gaidar said that the liberalisation of

prices would take place on December 16 – and though he said yesterday no date was fixed, he emphasised that "a delay in price liberalisation would put the brakes on Russian reform."

Mr Gaidar said that the Russian president had already signed a decree on price liberalisation, and that it will be initiated after amendments are adopted by parliament on new taxes – including a 28 per cent value added tax.

Commenting on Mr Rutskoi's opposition, he said that he called for his resignation – and went on to add: "I do not think the status quo will remain."

Bonn relieved by coal subsidies ruling

By Andrew Hill in Brussels and Christopher Parkes in Bonn

GERMANY is to be allowed to maintain its subsidy system for coal used for electricity generation until 1995, the European Commission's competition department ruled yesterday.

The decision, which followed heavy lobbying by German ministers, was welcomed with relief in Bonn.

Brussels had wanted the yearly total of 40.5m tonnes of subsidised fuel to be reduced sharply during the remaining

four years of the so-called "Century" contract between power generators and coal producers.

The contract allows power suppliers to levy surcharges on electricity bills to compensate them for the extra cost of home-produced fuel.

German coal prices are three times world market rates. Brussels accepted assurances that the amount of newly-mined coal would be cut, the

balance to come from existing German stocks, and that coal production plans for the years after the expiry of the contract would be reduced.

The coal industry and miners' representatives, which are already reconciled to overall production cuts of 30 per cent and the loss of 30,000 jobs by the end of the century, said the decision would not change these plans.

The competition department's approval now has to be ratified through formal Commission procedures, including asking other interested parties for their views, before it takes legal effect.

Bringing the German system into line with the Commission's approach will be an important step on the road to a single market in energy," Sir Leon Brittan, competition commissioner, said yesterday.

Dying heart, page 16

Cresson U-turn on Aids cases after revolt

By Ian Davidson in Paris

A REVOLT by MPs belonging to France's governing Socialist party has forced the government of Mrs Edith Cresson to make an about-turn in its planned compensation scheme for blood transfusion victims who were infected with Aids and other diseases.

The revolt is the latest sign of growing agitation in the party at the apparently unstoppable decline in the popularity of the government, and an

increasingly public determination of some parliamentarians to distance themselves from Mrs Cresson and President François Mitterrand.

The government will go ahead with its compensation scheme for people infected by contaminated blood in the mid-1980s, which could cost between FF10bn (£1.62bn) and FF14bn over several years. But it has dropped its plan to finance the scheme mainly

through a 6 per cent surcharge on the damage and accident policies of the French insurance industry.

Mrs Cresson seems still to be thinking of some type of taxation on the insurance industry, though in a different form; but evidently part of the cost of the scheme would now come straight from the state budget.

Tension between the government and the Socialist party has also surfaced over President Mitterrand's suggestion that the voting rules for general elections should be re-written, by introducing a larger element of proportional representation.

A party working group, set up to study the options for electoral reform, last week gave up the attempt to reach agreement, in the face of heavy opposition from most of the main factions in the party.

Denmark reduces corporate tax to 34%

By Hilary Barnes in Copenhagen

DENMARK'S corporate tax will fall from 38 to 34 per cent from 1992, under a six-party budget compromise reached in the Folketing (parliament) yesterday.

The reduction will be accompanied by the introduction of a pay-as-you-earn system for profits tax, and the Federation of Danish Industries says this will leave companies with no cash benefit.

The tax is currently paid 11 months after the end of the financial year.

Mr Henning Dyremose, Danish finance minister, described the budget, which will be enacted on December 18, as the most restrictive for many years.

It is expected to lead to a contraction in the economy of 0.1 per cent of gross domestic product.

This year's budget deficit of about DKK38bn (£3.4bn) – DKK6bn higher than estimated when the draft budget was presented in August – will be cut to DKK26bn next year and there will be no real increase in state expenditure, Mr Dyremose said.

Sweden puts brave face on savage interest rate rise

The government hopes to encourage the return of capital and a stronger krona, writes Robert Taylor

SWEDEN'S recently elected centre-right government was yesterday putting a brave face on its decision to raise market interest rates by a savage 6 percentage points to 17.5 per cent.

"A necessary, correct but temporary measure to deal with a temporary situation," was how Sweden's prime minister, Mr Carl Bildt, described the Central Bank's response to an accelerating outflow of short-term capital from the country.

Both he and Mrs Ann Wibble, the finance minister, hope that the government's firm action will encourage the return of capital and restore foreign confidence in the Swedish krona so that Sweden can return to less crippling interest rates as soon as possible.

The government yesterday insisted that "outside factors" were mainly responsible for the sudden net outflow of capital, which saw SKr26bn (£2.48bn) leave the country between November 15 and 30 with a more rapid acceleration over the past few days.

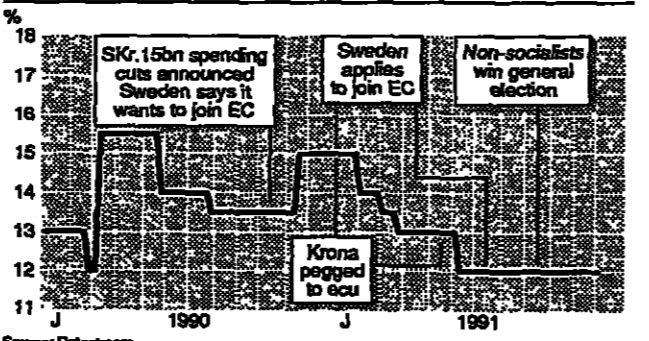
Mr Bengt Dénus, the central bank governor, pinned the blame for the interest rate rise on what he called "the contagious effect" on the krona of Finland's 12.5 per cent devaluation of its markka on 15 November.

Although Finland's economic troubles are much more severe and different from those of Sweden, investors far away cannot distinguish between the various Nordic economies, he suggested.

Mr Dennis received some support for this view from private sector economists in London. Sweden, according to Mr David Brown, international economist with Swiss Bank Corporation in London, has fallen prey to a "Pavlov reaction" in financial markets following the Finnish devaluation.

The central bank governor said the capital outflow may also have reflected uncertainty in the European money markets in the countdown to next week's Maastricht sum-

Swedish prime rate



mit, the weak American dollar and the troubles of the Nordic banking system. Blame has also been attached to worries about developments in the Soviet Union.

The government and the central bank yesterday argued that Sweden should have been immune from the "Finnish sickness" because:

● A strong consensus exists in Sweden against any devaluation, unlike in Finland and

● Although Sweden's economy might be weak, it is not as vulnerable as Finland's which is expected to contract by 5.5 per cent this year.

To underline their tough stance, both the central bank and Mr Bildt repeated yesterday that Sweden is determined

to become a member of the European Community on January 1 1993 and accept all the financial disciplines necessary to join the third stage of economic and monetary in the EC.

"We are prepared to defend the existing exchange rate of the krona within the narrow band linked to the European Currency Unit by every means," insisted Ms Wibble yesterday. She underlined there would be no devaluation in response to a "slight disturbance in the financial markets."

Attention is now expected to focus on the budget for 1992, which is due on January 10. This looks like playing a decisive part in trying to convince the doubting outside world about the government's intention to resolve Sweden's structural economic problems.

Yesterday, Mr Bildt and his finance minister could do little except repeat their good intentions to push on with their already announced free market measures and cuts in public expenditure of up to SKr15bn (£1.43bn) a year.

In their first six weeks in office the non-socialist coalition won plaudits for the apparent courage of its commitment to turn Sweden into a more market-oriented direction. But observers are concerned that while the govern-

ment has a clearly thought out

long-term strategy, a short-term one is lacking.

The markets are genuinely concerned about the size of the government's budget deficit and how it will be funded. Mrs Wibble suggested it could run as high as SKr50bn in the 1992-1993 financial year, or just over 5 per cent of Sweden's gross domestic product.

Control of current public spending is therefore of vital importance in ensuring the credibility of the government's economic strategy. But this also will depend on the government winning parliamentary approval for austerity measures next month.

Mr Bildt's government lacks an overall parliamentary majority, however. Yesterday, the populist right-wing New Democracy (ND) – which holds the power balance – agreed to support the government's unpopular proposal to freeze child benefit next year and save SKr4bn.

That proposal was seen as crucial in proving the coalition's determination to cut spending programmes.

It is possible but not certain that the unpredictable ND will give Mr Bildt's government the parliamentary votes it needs to push through its economic policies. But the creation of a broad-based political consensus is another matter, particularly

as the main opposition Social Democrats appear opposed to the basic thrust of the government's free market strategy.

Sweden's grim industrial outlook for 1992 is causing concern. Many companies have reported poor interim results over recent weeks and few of their forecasts for next year suggest any early recovery.

The sudden huge rise in interest rates has come as a further blow to hopes of an early industrial revival.

Yesterday, Mr Magnus Lemmel, the head of the Federation of Swedish Industries, said the 6 point increase in interest rates was "acceptable" in so far as it strengthened the government's chances of getting its market policies through parliament. But he also warned that "a persistently high interest rate would effectively destroy the climate for investment and be wholly unacceptable."

Foreign markets appeared to be surprised by the size of the interest rate increase yesterday. There were some feelings that the Swedish authorities may well have over-reacted.

The verdict of the markets over the next few weeks should provide the answer. What is already certain after yesterday's interest rate increase is that Mr Bildt's early heavy days in office are well and truly over.

Bundesbank cautions on wages settlements

By Andrew Fisher in Frankfurt

GERMAN trade unions were again warned yesterday not to push for high wage settlements next year, when the Bundesbank set another tight money supply target and said it was not loosening the reins while inflation remained high.

The Bundesbank said its target range for M3, the broad monetary aggregate, would lie between 3.5 per cent and 5.5 per cent in 1992, taking account of likely production growth, price rises, and the speed of money in circulation. This was slightly higher than the 1991 level, heightened in summer to 3-5 per cent, but Mr Helmut Schlesinger, Bundesbank president, said: "This does not mean a relaxation of monetary policy".

This year's target, originally set at 4-6 per cent, had been cut because monetary conditions in east Germany had settled quickly.

The Bundesbank took no action on interest rates at yesterday's fortnightly meeting, though financial markets have generally discounted a quarter point rise in the Lombard emergency lending rate from 9.25 per cent.

This was not expected to be decided today before the Maastricht summit, but at the next Bundesbank meeting on December 19.

Yesterday's meeting was attended by Mr Johann Kohn, state secretary at the Economics Ministry. He agreed that the demand for economic stability if wage settlements stayed high and fiscal policy too expansive. With the new M3 target, he added, "we have a chance economic development is not endangered and we have growth. But the risk it goes wrong is considerable."

Because wage claims have topped 10 growth, with settlements at nearly 7 per cent, Mr Schlesinger said more high settlements would raise industry's costs, cut competitiveness and boost inflation.

Commenting on Mr Rutskoi's opposition, he said that he called for his resignation – and went on to add: "I do not think the status quo will remain."

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EUROPEAN NEWS

Walesa urges MPs to give him more power

By Christopher Bobinski in Warsaw

PRESIDENT Lech Walesa yesterday urged parliament to give him greater powers to appoint Poland's government and then to allow the council of ministers to legislate by decree in special circumstances.

His call came after he bowed to the wishes of a five-party, centre-right coalition in parliament and nominated their candidate, Mr Jan Olszewski, for the post of prime minister.

Referring to Poland's efforts to introduce free-market reforms, he told parliament: "If we don't give more power to the executive then we'll run out of time, people will lose patience with us."

The president wants the right to appoint the government and only have parliament vote its confidence in a new cabinet. At the moment parliament appoints the cabinet at the president's nomination.

Under the new powers, the president could dismiss the government directly.

Parliament is likely to whitewash the president's proposals and maintain some say over the government. The deci-

sion to put forward Mr Olszewski comes after weeks of resistance by the president. He had hoped that Mr Jan Krzysztof Bielecki, the outgoing prime minister, could be kept on as the head of the government, which was accepted by parliament, follows inconclusive parliamentary elections on October 27 which saw over 10 political groups enter the 460-seat Sejm, the more important of the two chambers.

Mr Walesa saw Mr Bielecki as better equipped to steer the country towards a western-style economy.

Mr Olszewski was a defence lawyer for political dissidents under the communists as well as an adviser for Solidarity. However, he retained links with the Catholic church and has lately occupied a position on the right of the political spectrum. He stands at the head of a coalition of five parties, most of whom criticised the depth of Poland's recession in their pre-election propaganda, but have since stressed that policies should avoid the risk of fueling inflation.

Bosnia appeals for UN force to preserve peace

By Judy Dempsey

OFFICIALS from the Yugoslav republic of Bosnia-Herzegovina want UN peace-keeping troops to be sent to the ethnically mixed region.

Mr Ruzmir Mahmutcehajic, the deputy prime minister of Bosnia-Herzegovina, said yesterday that the UN must send troops "in order to contain the fighting and to preserve the peace where it already exists".

His appeal came as western diplomats voiced increasing pessimism over the possibility of deploying troops in the Balkan republic of Croatia.

Mr Cyrus Vance, the UN's special envoy, who yesterday

held another round of talks with Mr Slobodan Milosevic, the president of Serbia, and General Veljko Kadijevic, the federal defence minister, will travel later in the week to Bosnia-Herzegovina.

Mr Vance has repeatedly stated that no UN troops will be sent to Croatia until there is a lasting ceasefire and until both sides agree about where the troops should be stationed.

However, Mr Mahmutcehajic said that even if the fighting continues in Croatia, the UN must take action to preserve the peace in other parts of the country.

Public servants in Hungary take the political flak

By Nicholas Denton in Budapest

PUBLIC servants in Hungary are finding it increasingly difficult to stay out of the political crossfire.

The Independent-minded head of the central bank is the most recent casualty. Mr Gyorgy Suranyi signed a seemingly innocuous appeal for more democracy and lost his job last week as a result.

Mr Suranyi's controversial replacement by a loyal government minister was symptomatic of a wider problem that besets many former communist countries: the clash between loyalty and expertise.

No one questioned Mr Suranyi's abilities. His fault was to put his name to the Democratic Charter, a collection of commonplaces about democracy combined with the implication that Hungary still had some way to go.

Insulted, Mr Jozsef Antall, the conservative Hungarian Democratic Forum (HDF) prime minister, dismissed the

renewed politicisation of national institutions as all part of a pattern, says Mr Gaspar Miklos Tamas, a prominent MP in the opposition Alliance of Free Democrats.

But Mr Gyorgy Schamschula, political state secretary at the ministry of employment, said the opposition's outrage is overdone. "Every government always tries to put its own people into positions," he stated.

In eastern Europe, the concept of public service has to be completely reconstructed after four decades during which the state and the communist party were intertwined.

Communist regimes linked most political appointments to political loyalty. As a result, they have left their democratic successors struggling to establish consensus about how deep political control of the administration should go.

"Nobody knows what is a civil servant and what is a political appointee; nobody knows where the border is," says Mr Viktor Orban, leader of Hungary's opposition Alliance of Young Democrats.

But the very notion of expertise is also politically loaded. Mr Schamschula claims that there is precious little neutral ground for officials to stand on.

"Look, someone who is not a Free Democrat or an HDF member is usually an ex-communist," he said.

The reality is that administrative experience could be gained only by working under the former communist regime. Thus, expert is often synonymous with communist; or if not with communist, then with liberal, for the governing conservatives have few supporters in the professions.

The HDF politicians argue that communists and opposition liberals are both in public service hide their disloyalty to the elected government behind the cloak of expertise.

"Over-emphasis of expert skills is a cheap Bolshevik trick," said Mr Istvan Csizsura, a right-wing MDF deputy. Hungary is finding it difficult to attract public servants with the right combination of loyalty and expertise. For Mr Csizsura, loyalty comes first.

As the debate continues, the government has put forward legislation to purge the top layer of the administration and those linked to the communist secret police. Hungary is set to add a new dimension to the delicate reconciliation of loyalty with expertise.

In administration, expert is often synonymous with communist or liberal

central bank chief. Mr Antall explained: "If someone cries for freedom in a place where there is liberty, then he is a victim of a false position or not telling the truth." To the most sensitive of its critics, the government's behaviour brought back uncomfortable memories. Sacking because of a signature and the confusion of neutrality with opposition were both communist hallmarks.

The reshuffle at the central bank was no isolated incident. Mr Ferenc Somogyi, the top civil servant at the foreign ministry, resigned this week in protest after the government sacked two of his deputies.

Most contentious of all has been the government's effort to force through its nominees to senior posts in the national television and radio. The HDF's preoccupation was expressed most strikingly in an internal party memo written by Mr Imre Konya, parliamentary leader of the HDF.

The time had come, Mr Konya wrote, for "decisive action" on the media. The government had convinced the world that it was tolerant. Now it could afford to combat the domination of the media by journalists sympathetic to the opposition, he explained.

"I think [the trend towards

Turkey, EC in new push for customs union

By John Murray Brown in Ankara

TURKISH and European Commission trade officials met in Ankara today in renewed talks on proposed customs union, due to be implemented in 1995.

These will be the first EC talks with the new coalition government of Mr Suleyman Demirel. The meeting is a follow-up to the joint Association Council session in September, when foreign ministers met for the first time since Turkey

walked out of a council meeting in Luxembourg in 1988 over the Cyprus issue.

Copyright, dumping, textile quotas and tariff cuts will dominate the talks. The EC is also to seek assurance that Turkey's recent accord with EFTA does not contravene its 1960 association agreement with Brussels.

In 1989, in line with efforts to make its industry more competitive, Turkey cut tariffs for all trade partners, ignoring what the EC felt should be its preferential status under the 1960 accord.

Today, Turkey is promising support for its industry. EC officials are concerned this may constitute further subsidies.

Progress towards customs union was resumed in 1988, eight years after economic ties were frozen after Turkey's military coup. Currently, 53 per cent of Turkish industrial goods enter Community markets free of duty. Turkish farm trade, technically with a zero tariff, faces calendar and quantitative restrictions.

Under the 1980 accord, Turkey is pledged to scrap tariffs on EC goods by 1995. Officials say it is on track, with cuts realised on 40 per cent of general items, and 50 per cent of a more sensitive product list.

The EC is also to raise the issue of Turkey's special levies, the so-called non-budgetary funds, which though not technically tariffs, provide 60 per cent protection. Turkey is likely to tie any concession on this to anti-dumping, where it was subject to seven investigations in 1990, more than any other country.

Officials say Turkey is committed to reduce various tax benefits for its steel exporters next year. At the same time, its proposals for unifying its import tariffs was welcomed by EC officials.

Among the industrialists going along will be the heads

of Chrysler, General Motors and Ford. Mr Lee Iacocca, Mr Robert Temple and Mr Harold "Red" Poling respectively. Also included are the heads of the US Chamber of Commerce and the National Association of Manufacturers.

Mr Robert Mosbacher, US commerce secretary, has made a point of taking executives on his trips around the world, in order to have them attend meetings with foreign officials and their industrial counterparts.

The White House has been criticised by the business community for failing to provide the same service.

Japanese car makers are now under attack in various

American forums. The Commerce Department has extended the time for its investigation of alleged mini-van dumping by Mazda and Toyota.

In the courts, a new controversy has surfaced involving the purchase of a rental car agency by Mitsubishi.

Mr Sidney Cohen, the founder of Value Rent A Car in Palm Beach, Florida, sold his agency to Mitsubishi in June with an agreement that he and his family would continue to manage the company and share in operating profit for five years.

The family was "suspended" from the business, according to Mr Cohen, after he insisted on buying Fords rather than

Hopes of breaking farm impasse hang on US talks

By William Duffice in Geneva and David Gardner in Brussels

HOPES OF breaking the EC-US farm subsidy deadlock are now pinned on a meeting in Washington tomorrow between Mr Edward Madigan, US agriculture secretary, and Mr Ray MacSharry, EC farm commissioner.

Two days' talks between top trade and farm negotiators, backed by political trouble-shooters representing the US and EC presidents, in Brussels and the Hague, ended inconclusively on Wednesday.

The Washington meeting is seen on the EC side as the last chance of winning an understanding before next week's Community summit at Maastricht. The bilateral dispute over agriculture, which is jeopardising five years of international trade negotiations in Gatt's Uruguay Round, threatens to become another bone of

contention at Maastricht, where the 12 EC states are already at odds over monetary and political union.

If Mr Madigan and Mr MacSharry fail to achieve a breakthrough tomorrow, Mr John Major, UK prime minister, and Mr Ruud Lubbers, Dutch premier and current EC president, are expected to raise the farm question at the summit, against French hostility to having it "polluted" by the Uruguay Round.

The EC Commission considers it "bad tactics" to have the Round discussed at Maastricht but prospects for a breakthrough are uncertain. EC officials said yesterday that neither side had "budded one iota" on the core issues in the previous two days.

US officials said the talks had been useful but had

not made the progress the US would have liked. The Madigan-MacSharry meeting showed each side had the will to continue intensive talks but the possibility of a result should be neither over- nor underestimated.

The outstanding problems remained how to effect export subsidy cuts, via budget outlays or by determining the volumes of subsidised products on world markets; what domestic farm supports should be put in the "green box" of permitted measures; how much immediate access to currently closed markets could be achieved.

Brussels officials said the US had proposed that two-thirds of the 35 per cent cut in export subsidies should be effected on export volumes. As a *quid pro quo* for this EC concession, the US would undertake to freeze



MacSharry: last chance for winning an understanding

annual exports of non-grain feedstuffs to the EC at the average of the last five years. Cuts in quantities were an absolute must, US officials said, but Washington was not opposed to a mix of methods.

An EC official said success depended on Mr MacSharry and Mr Madigan finding a bal-

ance between "how much is bankable among EC member states and how much is sellable in the US Congress". If they failed, the impasse would have to be referred back to President Bush and Mr Lubbers who at the US-EC summit in The Hague on November 9 had pledged to find a solution.

Bush takes tougher stand on trade

By Nancy Dunne in Washington

PRESIDENT George Bush, weakened in the opinion polls and approaching a re-election campaign, has apparently concluded that he must in future take a tougher stand on trade with Japan.

With the Democrats preparing new legislation to challenge Japanese advances into the domestic car and car parts markets, the White House has invited 15 US business executives to accompany the president on his trip next month to Japan, South Korea and Singapore.

Among the industrialists going along will be the heads

of Chrysler, General Motors and Ford. Mr Lee Iacocca, Mr Robert Temple and Mr Harold "Red" Poling respectively. Also included are the heads of the US Chamber of Commerce and the National Association of Manufacturers.

Mr Robert Mosbacher, US commerce secretary, has made a point of taking executives on his trips around the world, in order to have them attend meetings with foreign officials and their industrial counterparts.

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The family was "suspended" from the business, according to Mr Cohen, after he insisted on buying Fords rather than

higher-priced Mitsubishis. Allegations of anti-semitism brought Mr Cohen's subsequent suit to the attention of the House government operations subcommittee on employment and housing, which is headed by Congressman Tom Lantos.

Mr Lantos ordered an investigation by Congress' general accounting office.

Mitsubishi is alleging that the Cohen family concealed problems in the business.

According to the Cohens, when they were ejected from the company, Value's rental fleet was 99 per cent American; now it is 10 per cent domestic cars and 90 per cent Mitsubishi.

Colgate plan for Chinese market

COLGATE-Palmolive yesterday announced plans to enter the potentially huge Chinese toothpaste market through a joint venture in southern Guangdong Province.

Colgate said it was the first of the main western toothpaste makers to set up such an operation in China. Its product will be made in the city of Guangzhou under a joint venture with Guangzhou Jie Yin Daily Use Chemicals Factory, the province's leading toothpaste producer, and a local development corporation.

Initial production will be from the Chinese company's existing plant but Colgate said it planned eventually to build a new factory.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 1991.

Statement by the Chairman and Chief Executive Dr. James Smith

Our profit for the first six months is in line with expectations. The growth achieved in electricity distributed and the growing impact of our cost control measures, combined with the beneficial effects of our electricity contracts strategy expected in the second six months, reinforces our confidence in the full year's profitability.

Turnover: In the first six months, turnover was up £72.5m at £821.7m. The increase was better than expected and mainly resulted from an increase of 3.0% in the volume of electricity distributed. Our marketing strategy is centred on growing profitable unit sales through the efficient use of electricity. To this end we are in the process of restructuring our marketing and sales function so as to focus sales effort into the most profitable areas.

Profit: Our business has a seasonal bias and the profit for the first six months is not indicative of the year's results. In the first half of this financial year pre-tax profits were £15.4m against a pro forma £18.6m for the corresponding period last year. However, results in the second half year are expected to benefit from the effects of our electricity purchase contracts and from the impact of our cost reduction initiatives.

Dividends: In the light of these results and the Board's expectation of continuing profit growth, the directors have declared an interim dividend of 4.85p per share, against 4.33p net per share pro forma equivalent for last year. The interim dividend will be paid on 24 March 1992 to shareholders registered on 31 January 1992.

Electricity Purchases: A factor which will lead to an increase in the imbalance between this year's first and second half year profits is a change to the portfolio of our electricity purchase contracts.

To protect the Company from potential extremes of volatility within the electricity pool purchasing arrangements, the Company has taken steps to extend and restructure its portfolio of contracts. The effect of these new contracts has been to increase the proportion of costs incurred in the first six months. While this has an adverse effect on the interim profits, the contracts will reduce the high costs experienced at times of high electricity demand in the winter period.

Cost Savings: Close scrutiny of our distribution activity has achieved savings by improved working practices and by increasing productivity both within our Areas and at Headquarters. As a result, our staff numbers have been reduced by 2.5% over the last year. By redeploying our staff we have reduced our use of contractors within the business and we have reduced the amount of overtime worked.

Non-regulated businesses: The contribution to profit from our non-regulated activities is still small. Overall our strategy is to increase this contribution by concentrating on those businesses where we have skills, experience and resources. Our recently announced retail enterprise with Southern Electric demonstrates our determination to seek profit from a professionally managed, viable and competitive business with roots in our existing business.

Similarly, e gas Limited, our recently announced gas sales venture, is an area where our existing abilities can be easily applied to produce incremental profit.

Contracting, which is currently suffering in the prevailing economic climate, will be restructured to create a separate operating division in order to focus on becoming a 'stand alone' profit centre activity.

Generators: Within electricity generating, construction of our plant at Peterborough is progressing both to time and cost. Other projects are at various stages of development but Eastern Electricity and Mobil have decided to review their partnership to build a 450 MW generating station at Coryton to generate electricity and provide steam for Mobil's refinery operations. We have not yet been successful in reconciling our separate objectives as regards control and financial return of the project. Mobil have told us that the project is still attractive to them in the context of their refinery operations and we would not intend to stand in their way in seeking another partner.

Structural Changes: We are re-shaping our overall organisation so that the structure reflects the needs of efficient management activity. The decision has been made to fill the post of Development Director which lies vacant in the existing structure. The person appointed will be responsible for the development of non-regulated businesses in the group. Within the electricity business, the post of Area Manager is being removed and the Areas will be split functionally. The distribution engineering activities will report direct to the Engineering Director and the marketing and sales activities will report direct to the Marketing Director. This change will allow sharper focus by senior management on our core activity of distributing and supplying electricity.

In conclusion, I am confident that the policy of growth in sales and the management of cost will show through positively in our full year's results.

Copies of this announcement can be obtained from the Company Secretary, Eastern Electricity plc, Wharfedale Park, P.O. Box 40, Wetherhead, Ipswich, Suffolk IP9 2AQ. For shareholder enquiries please ring 0345 959697.

INTERIM ANNOUNCEMENT

Group historical cost results for the six months ended 30 September 1991

	Notes	1991 £m	Pro forma (Note 3) (Unaudited) 1990 £m	Pro forma (Note 3) (Audited) 1990/91 £m
Turnover		821.7	749.2	1,720.1
Operating profit		26.0	32.2	127.4
Income from fixed asset investments	4	6.3	5.8	17.4
Net interest		(16.9)	(19.4)	(38.4)
Profit on ordinary activities before taxation		15.4	18.6	106.4
Taxation	5	(3.8)	(4.6)	(26.1)
Profit on ordinary activities after taxation		11.6	14.0	80.3
Extraordinary items	6	-	(3.6)	(7.5)
Profit for the period		11.6	10.4	72.8
Dividends		(13.1)	-	(27.3)
Profit retained		(1.5)	10.4	45.5
Earnings per ordinary share		4.3p	5.2p	29.8p
Dividend per ordinary share		4.85p	-	10.12p

Group historical cost balance sheet

	Actual 30 September 1991 £m	Pro forma 30 September 1990 £m	Actual 31 March 1991 £m
Fixed assets			
Tangible assets	735.5	695.5	721.2
Investments	97.5	98.4	97.5
	833.0	793.9	818.7
Current assets			
Current liabilities	367.3	295.4	395.9
	(273.5)	(227.8)	(289.5)
Net current assets	93.8	67.6	106.4
Total assets less current liabilities	926.8	861.5	925.1
Debt and bonds (unsecured)	(200.0)	(200.0)	(200.0)
Provisions	(26.9)	(11.2)	(23.7)
Net assets	699.9	650.3	701.4
Capital and reserves			
Called up share capital	134.9	134.9	134.9
Reserves	565.0	515.4	566.5
	699.9	650.3	701.4
Net debt	241.0	270.6	267.0
Gearing	34.4%	41.6%	38.1%

NOTES: 1 Basis of preparation: The interim results for the six months ended 30 September 1991, which were unaudited, have been prepared on the basis of the accounting policies for the year ended 31 March 1991.

The financial information contained in this interim statement does not amount to statutory accounts within the meaning of Section 240 of the Companies Act 1985.

The results for the year ended 31 March 1991 are audited from the full accounts for that year, which contain an unqualified auditor's report and have been delivered to the Registrar of Companies.

2 Current cost adjustments: Historical cost profit on ordinary activities before taxation 1991 £14 1990 £16

Current cost adjustments: Depreciation (22.2) (22.4)

Cost of sales (8.3) (10.3)

Monetary working capital (4.4) (6.3)

Gearing 3.6 5.7

(23.3) (23.3)

(7.9) (4.7)

3 Comparative figures: The comparative figures for last year are on a pro forma basis as if the new capital structure had been in place since 1 April 1990. The pro forma figures incorporate an adjustment to interest of £17.7m for the six months ended 30 September 1990 and an adjustment to interest of £24.2m for the year 1990/91 together with a related tax credit of £8.2m

4 The National Grid Holding plc included within profit before taxation is £6.3m interest dividend receivable from The National Grid Holding plc (1990 interest £5.8m and final £17.4m).

5 Taxation: Taxation for the six months ended 30 September 1991 has been provided on the basis of the estimated effective tax rate for the year ending 31 March 1992. Taxation for the six months ended 30 September 1990 has been calculated using the pro forma effective tax rate for the year ended 31 March 1991.

6 Extraordinary items: Extraordinary items comprise provision for costs incurred in the six months ended 30 September 1990.

EASTERN
ELECTRICITY

INTERNATIONAL NEWS



USS West Virginia ablaze after the Japanese raid on Pearl Harbor

Japan shrugs off worries over war guilt

Fifty years after Pearl Harbour, Stefan Wagstyl finds the whitewash is wearing thin in parts

Mr Takeo Yamachi, a veteran of one of the bloodiest battles of the second world war, kept his memories inside him for nearly 40 years. When he finally started talking in the mid-1980s about his experiences on the Pacific Island of Saipan his friends tried to ignore him. "On the surface they were sympathetic. But they wished I would stay quiet."

Today, on the eve of the 50th anniversary of the attack on Pearl Harbour, Mr Yamachi is one of a handful of Japanese actively campaigning for a fuller understanding of the war in Japan. But he says that even in his organisation - called veterans against war - there are people who would prefer not to discuss sensitive matters such as the question of Japan's responsibility. "They are like so many Japanese. They say they want peace. But to have peace we must first understand the last war."

No nation is further removed from fully coming to terms with its war-time past than Japan. The failure haunts the country - it colours relations with the US and with Asian nations which suffered under Japanese occupation. It occasionally prompts accusations that Japan's post-1945 economic expansion has been the continuation of war by other means; and it also accounts for the passion aroused by a government plan, now before the Diet, to dispatch combat troops overseas for the first time since the war, albeit to serve in United Nations peace-keeping forces.

In Germany political leaders have

accepted the nation's responsibility for the crimes of the Nazis in heart-rending terms. But in Japan, the force of official expressions of regret is repeatedly undermined by subsequent equivocations.

For example, this summer Emperor Akihito toured Asia with the purpose of improving relations and delivering personal apologies for Japan's wartime acts. But soon after he returned, Mr Nobuo Ishihara, the deputy cabinet secretary, said it would take "decades or even centuries before the right judgment was delivered on who is responsible for the war."

The government's official position is that the war is to be regretted; Pearl Harbour was a reckless act; Japanese troops caused severe damage in China, Korea and other countries; Japan has rightly apologised and paid compensation.

But, unlike Bonn, Tokyo has never admitted it fought a war of aggression. It has also been less than fulsome in cataloguing individual atrocities. Information about the activities of Unit 731, the Imperial army's unit for germ warfare experiments, became public only in the 1980s.

Dossiers on the exploitation of Chinese and Korean forced labourers are among scores of official documents still hidden in vaults in the prime minister's office, sealed for reasons of "national security" and "protecting personal privacy". Professor Daizaburo Yui, a historian,

says scholars do not even know what documents are hidden away. There are understandable historical reasons why Japan has never been forced to confront its past as Germany was. In the first phase of the US occupation, the American authorities wanted to carry out a comprehensive purge of government and business in the belief that much of the establishment had either supported or tolerated the wartime military rulers.

But with the onset of the Cold War, opposing communism became more important so the purges were cut short and many of those purged were rehabilitated. The theory grew that responsibility for the war lay only with a narrow band of military leaders, not with the wider political community, let alone the country as a whole. In the late 1950s, Mr Nobuo Ishihara, a wartime minister whose duties had included the supervision of forced labour, became leader of the ruling Liberal Democratic party and prime minister. Professor Yui says Mr Ishihara's return made it impossible for subsequent LDP administrations to condemn the past.

But the crucial decision of the occupation authorities was to drop early plans to charge Emperor Hirohito for war crimes. Because pre-war Japanese nationalism had been so completely identified with loyalty to the Emperor, absolving the emperor also meant absolving the whole nation. If the Emperor had not done wrong, nor had those who had acted in his name. As a senior Ministry of Foreign Affairs

official says: "The emperor is at the heart of everything to do with the war. If we start to really examine the war we have to examine the role of the emperor. For the government that is still impossible."

It is also impossible for the Ministry of Education, which is in some European states, has strict control of the school curriculum including the choice of text-books. The ministry has often been accused of whitewashing Japan's wartime history - not just by scholars but by the Chinese and South Korean governments.

In recent years, it has allowed textbooks to give more information about the war, including details of the Nanking massacre in 1937 and a (short) reference to Unit 731. However, Professor Saburo Ienaga, a text-book writer who has battled with the ministry since 1983 over revisions to his work, says there are still taboo subjects.

One is a full account of the battle of Okinawa in which civilians were forced by Japanese soldiers to commit suicide rather than be captured by the Americans. The other concerns Emperor Hirohito. Professor Ienaga says he would not even try mentioning in a text-book that the allies considered - and rejected - putting the Emperor before the war-crimes tribunal. For their part, ministry officials say they have to ensure text-books are "non-controversial and reflect the views of the majority of people".

Japanese views of responsibility

for the war are also deeply affected by their own immense suffering, including the fire-bombing of Tokyo and the atomic bombs at Hiroshima and Nagasaki. Some 3m Japanese died in the war, a sufficient price, many Japanese believe, for their own nation's war atrocities.

However, such beliefs also reflect a reluctance to judge and to apportion blame. A strict separation of guilt and innocence is not so firmly embedded in Japanese religious traditions as it is in the west. Professor Yoichi Kibata, a historian, says Japanese recognise moral absolutes but attach less importance to them than westerners.

Given these deeply-held views it is possible to see why post-war generations of Japanese have not challenged their parents as did young Germans in the 1960s and 1970s. But, very slowly, attitudes may be changing. Emperor Akihito has said more about the war than his father ever did. The Education Ministry is assessing more open-minded in its assessments of history. The mayors of Hiroshima and Nagasaki have started mentioning Japanese war-time acts - including Pearl Harbour - at their annual atomic bomb commemoration days.

The 50th anniversary of Pearl Harbour has itself stimulated an enormous amount of writing and television reporting. However, this September the 60th anniversary of the Mukden Incident, which started Japan's invasion of China in 1931, and marked the true beginning of Japan's war, passed almost unmarked.

Australian GDP slips 0.3% despite interest rate cuts

By Kevin Brown in Sydney

AUSTRALIA'S Labor government suffered a serious setback yesterday with the release of figures showing that gross domestic product had declined by 0.3 per cent in the three months to September.

The announcement came only a few hours after Mr John Kerin, the treasurer (finance minister), declared that the economy had emerged from a recession which began in mid-1990.

The unexpected weakness of the economy will increase pressure from business and trade union organisations for a further cut in official interest rates, which have fallen by 9.5 percentage points since peaking at 18 per cent in early 1990. It will also damage the economic credibility of the government, which has appeared to wilt in recent weeks under a

strong attack from the conservative Liberal-National party coalition.

The government's statistical service said the main causes of the cut in GDP were an unexpectedly large rundown in stocks, and the effects on farm production of severe drought in the eastern states.

The income-based measure of GDP, the most widely used indicator, has now been negative or flat for six consecutive quarters.

The latest quarter of negative growth makes 1990-91 the longest recession since the second world war, although the contraction in GDP has been less severe than during the last recession in 1981-82.

Mr Kerin, who was clearly surprised by the figures, said that the rundown in stocks had not been foreseen

by Treasury forecasters.

However, the government took some comfort from a rise of 0.8 per cent in private consumption, which it claimed supported its contention that a recovery is under way.

Economists were surprised by the figures, but most said the rebuilding of stocks was likely to contribute to renewed growth in the three months to the end of December.

They expect the Reserve Bank to respond to the economic indicators by cutting interest rates by a full percentage point in late December or early January.

A cut in rates would also have political attractions for the government, which trailed the opposition coalition by 10 percentage points in the latest Morgan Gallup opinion poll published earlier this week.

HK talks end with limited agreement

By Angus Foster in Hong Kong

BRITISH and Chinese officials yesterday finished three days of talks on Hong Kong issues, including citizenship, military land and the electricity franchise of China Light and Power. But the talks were overshadowed by controversy concerning the colony's proposed court of final appeal.

The meeting did reach agreement on extending China Light and Power's franchise for 15 years from 1993, but made no progress on the subjects of Hong Kong's military lands and right of abode for non-Chinese after 1997.

Britain, China and the Hong Kong government have agreed on the structure of the court of appeal and said it cannot be changed. But on Wednesday, Hong Kong's Legislative Council, the colonial parliament, overwhelmingly called for the court to be renegotiated, claiming the structure compromised the court's independence and standing.

China has accused Britain of conspiring with Hong Kong leaders to try to renegotiate the court, which is to replace the Privy Council in London. The row has threatened to disrupt improvements in Sino-British relations since the visit to China of Mr John Major, the British prime minister. The talks took place at the 21st meeting of the Sino-British Joint Liaison Group, which is overseeing details of Hong Kong's 1997 return to Chinese sovereignty. Mr Anthony Galsworthy, senior British representative, conceded that he had hoped progress could be faster.

China also complained about moves within the Legislative Council to set up a formal committee system to oversee bills. China has never recognised the council, which it describes as a "colonial servant", and is worried it is seeking an executive as well as legislative role before 1997.

The Hong Kong government is trying to limit damage from its Wednesday defeat over the court of final appeal. Government leaders have stressed the court cannot be renegotiated but the court cannot be established without Legislative Council approval, raising the prospect of a delay in its setting up, possibly until 1997.



Saad Mubjer, Libya's ambassador to France, insisting in Paris yesterday that Libya remains in confrontation with the UK and US over Lockerbie

Arabs back Libya over bombing

By Tony Walker in Cairo

THE 21-member Arab League yesterday backed Libya in its row with the west over the bombing of a Pan Am jet over Lockerbie, Scotland, and called on the UN to join it in investigating allegations Libyan agents were responsible.

The League, which is based in Cairo and is the leading organisation of Arab states, expressed "solidarity with sister Libya and praised its positive approach to unveil the facts surrounding this regrettable incident."

Arab representatives unanimously

endorsed the statement just hours after Mr Douglas Hogg, a British Foreign Office minister, had appealed to the League's secretary general for help in bringing to justice those responsible for the Lockerbie disaster in which 270 people died.

Mr Hogg, in meeting the secretary general, Dr Esmat Abdel Meguid, had rejected a proposal that two Libyan intelligence officers accused of the bombing should stand trial in an international court.

He said this was not feasible,

arguing that forming such a court for every terrorist operation would not eliminate terrorism, but would in fact strengthen it.

The Arab League called on Britain and the US to avoid economic or military actions against Libya. Mr Hogg said he was delighted at promises by Libyan leader Colonel Muammar Gaddafi that his country would "break off ties with groups which were described in the past as liberation movements but have turned into terrorist movements".

Opposition breaks up in Kenya

By Michael Holman and Julian Ozanne in Nairobi

THE opposition coalition which led the campaign for a multi-party democracy in Kenya broke up into rival camps yesterday.

The two political parties that have emerged - the Forum for the Restoration of Democracy (FORD) and the National Democratic Alliance (NDA) - reflect political and ethnic divisions that have their roots in pre-independence Kenya.

Opponents of President Daniel arap Moi and his ruling Kikuyu party will have to overcome tribal and personal rivalries in the multi-party election campaign effectively launched by Mr Moi this week.

Within hours his action was criticised by Mr Odinga Odinga, Kenya's former vice-president and a leading FORD supporter. Regretting the "disintegration" of FORD, Mr Odinga described how efforts to keep the coalition together had failed.

He denounced Mr Shikuku and two other FORD members who announced the change in the pressure group's status as "self-seekers who do not believe in the democratic process." While Mr Shikuku has a considerable following, he also has a reputation as a political maverick.

Mr Odinga, however, was the main spokesman for a much broader opposition which includes leading members of the country's main ethnic groups who are expected to form the core of the National Democratic Alliance, which will be officially announced today.

Japanese groups deny Marcos illegal payments

By Steven Butler in Tokyo

SEVEN Japanese companies yesterday denied accusations in Manila that they had paid \$54.8m (£31m) in illegal kickbacks to the family of Mr Ferdinand Marcos, the late Philippine president, in the 1970s.

The companies were named yesterday in a report issued by Mr Francisco Sison, the Philippine solicitor-general. The report is based on investigations of the Marcos family's secret accounts in Swiss banks and is said to be based on documents obtained from the banks.

Companies named in the report include Mitsui, Nishio Iwai, Marubeni, Toyo, Sakai Heavy Industries, Sumitomo, and Taihei.

According to the allegations, the companies made secret payments to Marcos family bank accounts in Hong Kong and Switzerland in connection with projects financed by Japan's overseas economic co-operation fund and second world war reparations.

Several of the companies contacted yesterday said that similar charges had emerged earlier but that internal investigations had found them to be without substance. They were still awaiting details of these latest charges.

Slovo urges moderation on S African communists

By Patti Waldmeir in Johannesburg

MR JOR SLOVO, the general secretary of the South African Communist Party, yesterday praised Lenin and the Soviet communist revolution, but urged his party towards more moderate socialism involving multi-party democracy and protection for private property.

The slogans of another age - "Viva Lenin! Viva the October Revolution" - rang through the hall where 800 delegates gathered for the party's first legal congress inside South Africa for more than 40 years.

Despite militant rhetoric, delivered from beneath a giant red banner proclaiming "the future is socialism," Mr Slovo made clear that socialism was a distant goal.

In the meantime, the party would concentrate on helping the African National Congress (ANC), its close ally, to eradicate apartheid. Mr Slovo, a

senior ANC leader, is to quit as the South African Communist Party's leader to devote his energies to the ANC.

Mr Slovo argues that the solution is to democratise socialism, and strip it of authoritarianism.

Yesterday he sought a commitment to basic liberal values such as a multi-party political system with regular free elections, guarantees for linguistic, cultural and religious rights of minorities and protection of "all personal non-exploitative property and such other private property as may be necessary for effective economic development and growth."

He rejected "commandist bureaucratic control" of the economy but said categorically that he favoured a "considerable degree of state intervention" in the economy, including selective nationalisation.

Economic prospects 'set to improve next year'

By Philip Gawth in Johannesburg

THE outlook for the South African economy has improved and it should record small positive real growth in 1992, the Reserve Bank said yesterday in its quarterly bulletin.

The improved outlook is the product of a continued good export performance, substantially improved financial relations with the rest of the world and the current low level of inventories. The bank noted, however, that the gradual downswing in economic activity had deepened further in the four months to October.

Merchandise exports rose by nearly 24 per cent between the beginning of the downturn in the first quarter of 1991. This has helped boost the current account of the balance of payments which recorded a seasonally adjusted and annualised surplus of R3.7bn (£1.96bn)

in the third quarter. A surplus of at least R6bn is likely for the year as a whole.

Net outflows on the capital account are also down, to R100m in the third quarter from R2.1bn the previous quarter. The bank said this performance, helped by an inflow of largely short-term funds, indicated normalisation of South Africa's financial relations.

Boosting the economy is a fiscal policy stance more expansionary than expected. The deficit, as a ratio of gross domestic product, was 5.3 per cent in the first half of fiscal 1991-92, the result of spending moderately higher than budgeted and revenues considerably down.

Despite the mildness of the economic downturn, however, the bank says the effect on unemployment is the worst of any cyclical downswing for 20 years.

مكتبة الأصيل

AMERICAN NEWS

White House faces budget deal fight

By George Graham and Michael Prowse in Washington

THE BUSH administration is fighting to maintain the discipline of its hard-won budget agreement with Congress while finding a way to stimulate the sluggish US economy.

Senior officials yesterday opened the possibility of some relaxation of the budget agreement - which imposes tight curbs on tax cuts and spending increases - as part of the package of growth measures President George Bush plans to announce next month.

Mr Nicholas Brady, the treasury secretary, said Mr Bush planned to expand on measures such as a cut in the capital gains tax rate which the administration has urged for the last year.

However Mr Michael Boskin, chairman of the council of economic advisers, said he hoped any package could

maintain as much as possible of the discipline of the budget agreement negotiated between the administration and Congress.

Mr Brady and Mr Boskin were speaking, along with Mr Richard Darman of the Office of Management and Budget, to the House of Representatives' ways and means committee, which controls taxation. The committee was hearing competing proposals for cutting taxes to boost economic activity.

While the administration and Republican congressmen have favoured cutting the capital gains tax rate as a way of encouraging business investment, Democrats have concentrated on income tax credits to put more money in the pockets of middle-income families.

Mr Dan Rostenkowski, the Chicago Democrat who chairs the ways and means committee, urged his colleagues to avoid turning the public hearings into a political circus.

"That's not what these hearings are about. We certainly do not want to start another bidding war," he said.

Several Democratic congressmen, nevertheless, leapt into battle, attacking the administration's capital gains proposal as an unfair gift to the rich.

Mr Brady said any tax package must concentrate on measures to stimulate overall growth, not on redistributing income among different segments of the population. He ruled out tax increases, and warned against any fiscal package which could result in higher interest rates by frightening the financial mar-

kets into believing the budget deficit would be allowed to run further out of control.

Mr Darman said the administration was interested in tax cuts designed to provide relief for middle-income Americans, but faced the "hard constraint" of preserving budgetary discipline.

Neither Mr Brady nor his colleagues gave any detail of the additional economic measures that Mr Bush has said he would announce in his State of the Union address next month.

Officials have, however, been examining heavy cuts in the defence budget to pay for greater domestic spending, as well as means-testing to restrict the payment of social security entitlements to wealthy Americans.

S&L chief convicted of fraud

MR Charles Keating (right), a key figure in the US savings and loan (S&L) scandal, has been convicted on 17 counts of defrauding investors of millions of dollars through the sale of worthless junk bonds. Reuter reports from Los Angeles.

Mr Keating, an anti-pornography crusader known for his expensive lifestyle, faces a sentence of up to 10 years in prison, although under California guidelines he would serve only five.

The jury pronounced him guilty late on Wednesday on 17 of 18 counts of fraud after a two-month trial. His attorney indicated he would appeal.

The failure of Mr Keating's bank, the Lincoln Savings & Loan Association, is expected to cost US taxpayers \$2.6bn, making it the most costly closure of a savings and loan in US history.

As many as 25,000 bond buyers lost an estimated \$250m when Lincoln's parent company, American Continental, filed for bankruptcy. Lincoln, which Mr Keating ran, was seized by federal regulators shortly afterwards.

Mr Keating, who became a symbol of the collapse of savings and loans, had been charged with defrauding



depositors by encouraging them to buy American Continental junk bonds. According to prosecutors, Mr Keating told his sales staff to seek out "the weak, the meek and the elderly", an assertion the defence denied.

Steel strike hits Chile as unions flex muscles

By Leslie Crawford in Santiago

MORE than 3,400 steel workers are on the fifth week of a strike that has shut down Huachipato, Chile's only iron and steel mill, and forced the country to import steel.

The strike at Huachipato has become the longest and most deeply entrenched dispute in a private-sector company since Chile's return to democracy in March 1990. It follows a rash of strikes that began at the state-owned copper mines in July and spread to the health and teaching professions and the

state railways.

Huachipato belongs to Compania de Aceros del Pacifico (CAP), a mining, steel and forestry group that ranks among the five largest private-sector holdings in Chile. Mr Stephan Schmidheiny, the Swiss entrepreneur, is CAP's biggest shareholder, with a 30 per cent stake. Huachipato's steel accounts for half of the group's \$600m-a-year revenues. CAP estimates it is losing \$80,000 a day as a result of the strike.

The steel workers voted this

week to prolong the stoppage after rejecting the company's latest pay offer of a 1.5 per cent real wage increase and a no-strike bonus of \$400.

"It's high time that CAP began investing in its workers," says Mr Juan Allaga, a union leader at the steel mill near Concepcion in southern Chile. The talks, he says, are stalled, but the union is anxious to reach a settlement before Christmas.

CAP, however, says it cannot afford union demands for an

across-the-board pay rise that would increase the wage bill by 10 per cent. The strike comes at a difficult moment for the company, which has seen profits plummet because of depressed steel prices. CAP is also in the midst of a \$900m expansion plan.

The Huachipato dispute reflects the growing militancy of trade unions in Chile's new democratic environment. President Patricio Aylwin's government has restored labour rights suppressed under mili-

tary rule, and unions are using their recent freedom to test their strength.

In the fast-growing sectors of the economy, such as telecommunications, employees have won large pay increases without recourse to stoppages.

But in the public sector, the government is only adjusting wages in line with inflation. Copper workers also failed to coax more money out of Codelco, the state copper corporation, despite strikes in July and August.

Brazil keeps its faith in privatisation

IT BEGAN with tears and riots outside the Rio stock exchange, several postponements and 27 legal challenges. But Brazil's privatisation programme is finally under way.

Since October, the government has sold Usiminas, Latin America's largest steel mill, Cosinor, a loss-making steel mill, Celma, an aircraft maintenance company, and Mafersa, a loss-making railway and underground train producer.

Another 23 companies are to be auctioned by the end of next year with the aim of raising \$18bn. President Fernando Collor's 39-month-old government is declaring the programme its first success story.

However, the benefits may be more psychological than financial, raising the government's credibility rather than its fiscal balance.

Of \$1.69bn raised so far, only \$125 was actual money - in fact, cruzados seized by the Collor government last year when it froze 80 per cent of savings as part of its shock economic plan.

The rest consists mostly of domestic debt instruments, which are known locally as "rotten money", have almost no secondary market and, creditors thought, would never be honoured.

Brazilian banks and pension funds, which have in the past been forced to take on federal government debt, and construction companies owed money for public sector projects are using the opportunity to offload the debt at par in return for shares in a privatised company.

The first sale (75 per cent of Usiminas) raised \$1.15bn. Of that, 45 per cent was in Siderbras debentures - debts owed by the holding company for state steel mills. Siderbras was liquidated last year owing several billion dollars.

Another 18.5 per cent consisted of matured government debt. A further 17.3 per cent was made up of National Development Fund Titles (OFNDs) - shares that financial institutions were forced to buy in 1986 in a mutual fund of state companies which never became operational. Privatisation certificates (CPs), which banks were forced to buy but which are worth only about 20 per cent of face value on the secondary market, made up 15.8 per cent more.

Andrade Gutierrez, a construction company, bought 21.4 per cent of Celma using government-accrued debt. The Cosinor sale represented a loss for the government, which had to forgive debt of \$100m in order to raise \$14m. To sell Mafersa, the government pardoned \$38m to raise \$30.8m, more than half of which was in OFNDs and the rest in Siderbras debentures. However, while the fiscal benefits may be less than obvious, the programme is achieving an important objective in lessening the role of the state. After the Usiminas sale, a relieved Mr Eduardo Modiano, head of the programme, said: "This is Brazil's first step towards modernisation." Next year, the government plans to sell all its steel, fertiliser and petrochemical companies.

Moreover, the programme should over the long-term generate considerable fiscal savings.

Mr Sergio Zedron, a director of the programme, asserts

that "the whole point is to reduce debt rather than bring in new money which would have an inflationary impact. The sales so far represent a

reduction in the stock of debt and considerable saving in interest."

Mr Joel Korn, president of Bank of America in Brazil, says that "the programme should be viewed less in terms of revenue enhancement and more in terms of savings on expenses. There may be no immediate fiscal reflection but it will be really important beyond 1992."

Just two months ago, the programme, already delayed from June 1990, seemed doomed. The Usiminas auction, set for September 24, was cancelled minutes before it was due to begin, because of a flurry of legal actions banning the use of debt and militants blockading the stock exchange. The sale finally took place on October 24, but only after a congressional enabling vote the night before. Some 80 protestors were injured.

The confusion, not surprisingly, had repercussions in the outside world, and Mr Zedron admits that the most depressing part of the programme has been the lack of foreign interest. Foreigners have also been deterred by Brazil's continuing recession, economic instability, and high inflation.

Bankers say that, rather than convert debt into shares at a 25 per cent discount, they prefer to hold on for a comprehensive renegotiation of Brazil's foreign debt early next year.

Talks are under way with Brazil's commercial bank creditors this week in New York.

Despite Mr Modiano's roadshow through Europe, Japan and the US, and \$55bn available in matured foreign debt (DFAs), foreign participation has been minimal and the price of DFAs has dropped from 40 cents to 25 cents since mid-September.

The only foreign involvement has been the 5.5 per cent of Usiminas shares bought by Nippon Steel, and General Electric's 11.2 per cent stake in Celma. Moreover, this lack of interest has depressed prices.

Nevertheless, Mr Zedron maintains that the situation will soon change. "Lack of credibility is reverting and people are beginning to believe in the sales," he said. He gets some support from analysts, who say that foreigners will find the petrochemical sector, which goes on sale next year, more attractive.

It is in areas such as this that the real test to Brazil's commitment to privatisation will come, especially as it starts involving services and the nation's sacred cows, like Petrobras, the state oil monopoly, for which constitutional changes will be necessary.

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LEGAL NOTICES

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Rosen House (Development) Limited
Frank Tiddaway Limited
Contract Management Services Limited

NOTICE IS HEREBY GIVEN, pursuant to section 40(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named companies will be held at West Bromwich Road House Hotel, Birmingham Road, West Bromwich on 17 December 1991 at 11.00 am for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under Section 40 of the said Act. The meeting may, if it thinks fit, establish a committee to consider the functions conferred on creditors by or under the Act.

Creditors are only entitled to vote if:

- they have delivered to the address shown below, no later than noon on 17 December 1991, written details of the debts they claim to be due to them from the company; and the claim has been duly admitted under the provisions of Rule 5.11 of the Insolvency Rules 1986; and
- there has been lodged with the any proxy which the creditor intends to be used on his behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Date 21/12/91
John F Powell & Ian N Carruthers
Joint Administrative Receivers
VALE DESIGN AND CONSTRUCTION LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 40(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at Park Hotel, Park Place, Cardiff on 18 December 1991, at 11.00 am, for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under Section 40 of the said Act. The meeting may, if it thinks fit, establish a committee to consider the functions conferred on creditors by or under the Act.

Creditors are only entitled to vote if:

- they have delivered to the address shown below, no later than noon on 18 December 1991, written details of the debts they claim to be due to them from the company; and the claim has been duly admitted under the provisions of Rule 5.11 of the Insolvency Rules 1986; and
- there has been lodged with the any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

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Date of appointment: 23 November 1991.
Name of appointer: National Westminster Bank.

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UK NEWS

Diplomatic bags are taken to the prison cleaners

By David Owen

THE government yesterday admitted that a quantity of bags containing Canadian diplomatic mail had been accidentally sent to a prison laundry. Mr Mark Lennox-Boyd, a foreign office minister, had the hapless task of telling MPs in the House of Commons that Wandsworth prison in south London had received the misdirected mail along with a routine laundry delivery. The prison holds, it transpires, a long-term contract to clean the Foreign Office's diplomatic pouches.

But the House of Lords was later assured that it would not happen again - in future bags would be turned inside out as a precaution. Mr Lennox-Boyd said: "We learned some days ago that bags containing Canadian diplomatic mail had been discovered by staff at Wandsworth prison."

"Steps were immediately taken to recover the diplomatic mail and to investigate the incident." The Canadian High Commission was "perfectly satisfied" with the outcome of the preliminary investigation. But Mr Gerald Kaufman, Labour's spokesman on foreign affairs, said the government should "come clean" over the incident: "Is it true that an interval of several days elapsed between the discovery and the search? How much material is still missing... how much of this material, missing or retrieved, is sensitive material?"

Labour attempted to use the incident to increase pressure on Mr Kenneth Baker, the embattled home secretary, maintaining that Mr Baker and not "the most junior available minister in another department" should have answered its questions. Mr Gerald Kaufman, shadow foreign secretary, also asked whether it was true that a watch was among the mislaid material. "What guarantees can you provide that other metal objects cannot find their way into prisons in the way this did, and disappear as this did?", he asked.

Mr Lennox-Boyd insisted that it was a foreign office matter and that the watch allegation was "news to me."

Government to isolate rebels over EC union

By Philip Stephens, Political Editor

THE government yesterday launched a powerful campaign to isolate Mrs Margaret Thatcher and other potential Conservative rebels if Mr John Major reaches a deal on European union at next week's Maastricht summit. Mr Douglas Hurd, the foreign secretary, has indicated that the "whole persuasive authority" of the government will be thrown behind any accord in order to extract the maximum political advantage. Other senior ministers said yesterday they would move to crush a possible revolt among a handful of junior ministers. They are ready, if necessary, to shrug off the possible resignation of a up to four lower-ranking ministers.

Senior ministers, however, are dismissive of recent speculation that Mr Peter Lilley, the trade and industry secretary, might also consider quitting the government if Mr Major makes significant concessions to his European partners. The government's tactics after Maastricht were discussed yesterday at a special session of the Cabinet. There was agreement that by far the best outcome was a deal with Britain's European partners. Ministers, however, have contingency plans to respond quickly to any breakdown at the summit. Mr Douglas Hurd said in an interview with the FT earlier this week that the positive approach and clarity underlying Britain's stance would leave Mr Major in a strong position if he was forced to reject a deal.

Labour expels Liverpool MP

BRITAIN'S opposition Labour party yesterday expelled Mr Terry Fields, the left-wing Merseyside MP, amid allegations that he was a member of Militant, the Trotskyist splinter group banned by the party.



Terry Fields in defiant mood yesterday

Mr Fields, who represents the constituency of Liverpool Broad Green in north west England, learned of the decision at a meeting of Labour's disciplinary national constitutional committee in Kirby, Merseyside. In July, Mr Fields was sentenced to 60 days in Liverpool's Walton jail for failing to pay his poll tax bill of £378. An appeal against the sentence failed and he served 58 days in prison, pleading on his release to continue his campaign.

Mr David Nisbet, the Labour MP for Coventry South East, also faces possible expulsion from the party at a similar hearing tomorrow. The two MPs were suspended - prohibiting them from standing as Labour candidates - from the party in September when an inquiry was started after Militant fielded its own candidate against the official Labour candidate in the Liverpool Walton by-election in July. In spite of demonstrations of support, the MPs were also barred from taking part in proceedings at the Labour party conference in Brighton. Militant opposes the centrist moves of the Labour leadership and advocates policies abandoned by party moderates.

Nissan and Fiat suffer from slump in new vehicle sales

By Kevin Done, Motor Industry Correspondent

NISSAN of Japan and Fiat of Italy have been the biggest victims of the slump in new vehicle sales in the UK, according to industry figures released yesterday. Nissan, whose sales have been depressed by the impact of its long-running battle with its privately-owned British importer/distributor Nissan UK, suffered a 40 per cent fall in its sales volume in the first 11 months.

The Fiat group, which holds second place in the western European new car market with a share of around 12.7 per cent, has captured only 2.5 per cent of the UK new car market in the first 11 months this year compared with a share of 3.1 per cent a year ago. Fiat's sales volume has plunged by 39.9 per cent reflecting a 37.1 per cent drop in sales of Fiat cars, a fall of 50.3 per cent in Lancia and 14.6 per cent for Alfa Romeo.

Overall new vehicle sales fell sharply in November, as the recession in the motor industry, now in its third year, showed little sign of easing. New car sales fell 14.4 per cent in November to 100,608 from 117,499 in the same month a year ago, the lowest November total since 1980. Such car sales last month were a third below the level of November 1988.

Sales of new commercial vehicles also fell. They plunged last month by 31.6 per cent to 13,814. New commercial vehicle sales in the first 11 months have fallen by 29.5 per cent to 197,783. According to figures released by the Society of Motor Manufacturers and Traders, new car sales in the first 11 months of the year at 1,534,062 were 21.2 per cent lower than in the corresponding period a year ago. The Peugeot group of France, which includes Citroën, has emerged as the main winner helped by the growing popularity of diesel-powered cars, where it is the market leader.

The corporate sporting life finds food for thought

Entertaining at major events remains a good way to impress clients writes Michael Skapinker

WHILE English football clubs Tottenham Hotspur were beating Nottingham Forest to take the FA Cup last May, the spies from Egon Ronay were up in the corporate hospitality boxes at Wembley, sampling the food. The cold lobster was sweet-tasting and firm but the potatoes were hard and the vegetables lacklustre, said the inspectors.

At the Wimbledon tennis tournament a month later, the lamb cutlets were found to be tender and succulent and the mango sorbet excellent. Good food can be found in the corporate hospitality tents at Britain's big sporting events but it is more often "dull and lacking imagination", according to Egon Ronay's 1992 hotel and restaurant guide.



Hospitality services at events such as Wimbledon (above) still attract corporate backing each region along the route to show off its cuisine. "We had excellent food in tiny, two-bit hotels, which tells you all you need to know about the difference between French and British catering," Ms Lester-Smith said. Mr Bill Williams, an associate director of the PA Consulting Group, said service was a bigger shortcoming than food at UK events. "The food tends to be three-star-plus standard. The quality

of the service doesn't depend on the catering company you use; it depends on the staff that happen to be available that day. They're temporary staff that come from a rather large pool."

Mr Roger de Pilkington, sales director of Payne and Gunter, described by Egon Ronay as the best caterer at sporting events, said clients' expectations have changed over the years. "At one time, a pie and a pint in the middle of a field were considered to be enough. Now some people sit in the middle of a field and think they're at Le Gavroche. People pay £150 and they think that's £150 for their lunch. They forget people have to put up marquee and loo."



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Lamont claims UK economy heading for growth

By Ivor Owen and David Owen

IN SPITE of some "signals" there were reasons for believing the economy would grow in the months ahead, Mr Norman Lamont, the Chancellor of the Exchequer, said today.

He cited the rise in incomes, and the growth in the private sector, as the two main reasons for his optimism. He also pointed to the fact that the impact of the high interest rates, which had been counterproductive, was being countered by the fact that the economy was not in a severe and continuing recession as had been claimed by some.

Mr John Smith, the Labour spokesman on the economy, said that the government's policies were "a policy of delay and evasion". He said that the best that could be expected was that the economy would be at the bottom of a deepening recession.

Calling for a "major review" of the economy, Mr Smith said that the government's policies were "a policy of delay and evasion". He said that the best that could be expected was that the economy would be at the bottom of a deepening recession.

Earlier Mr Neil Kinnock, Labour's deputy leader, said that the government's policies were "a policy of delay and evasion". He said that the best that could be expected was that the economy would be at the bottom of a deepening recession.

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Where do you find vast wheat fields with perfect water-skiing?

Europe. One place more than ever, but still home to an incredible diversity of lifestyles and cultures.

And, as a company that has grown from this diversity, Shell sees it as an opportunity, not an obstacle.

In the wheat fields of Northern Germany, for example, a herbicide developed by Shell helps maintain the yield of the summer harvest.

Meanwhile, in the Greek Islands, tourists' speed-

boats no longer foul the seawater thanks to Shell's new biodegradable marine engine oil.

Small things, perhaps, to a big corporation. But not to a local company. A company like Shell.

UK NEWS

Legal decision threatens TV franchise plans

By Michael Skipinker, Leisure Industries Correspondent

ONE of Britain's leading television companies yesterday won the right to challenge the decision of the Independent Television Commission (ITC) not to renew its franchise - its licence to broadcast programmes - raising the prospect of action by other losers in last October's TV auction.

TSW Broadcasting, which covers south west England, received Court of Appeal backing for an application to seek judicial review of the ITC's decision, reversing a ruling in the High Court that the arguments of the television company, which was the highest bidder in the region, were "doomed to inevitable failure".

TSW took action against the ITC following the auction of franchises earlier this year in which the commission awarded commercial television licences for 15 regions around the UK. Under the terms of the auction the franchises were awarded to the highest bidder unless there were exceptional circumstances reflecting ITC concerns at the bidder's broadcasting plans.

Other companies which failed to win franchises - including TVS Entertainment



Emergency workers examine the debris yesterday at Belfast's Europa Hotel, wrecked by a 1,000lb bomb which injured 18 people and caused damage estimated at £1m

Uranium 'lost' at reprocessing plant

By Clive Cookson, Science Editor

THE UK Atomic Energy Authority (AEA) shut down its Dounreay nuclear reprocessing plant in north Scotland yesterday after it was discovered that it had mislaid 10kg of highly enriched uranium. The quantity is just enough to make an atomic bomb.

The plant, which operates alongside the Dounreay fast reactor, will remain closed while an AEA expert on nuclear materials handling carries out an urgent investigation. He will also report to the Department of Energy.

"We don't know whether this is an accounting error or whether the uranium has gone astray in some way," the AEA said. "It is difficult to speculate, until we know where the material is and what form it is in."



extremely unlikely that the uranium has been physically removed from the plant, which has a high level of security and sensitive radiation monitoring to detect accidental loss or deliberate removal of radioactive material.

Uranium is very dense - 10kg of uranium metal would be about the size of a football but the material could be in another form, for example a compound dissolved in liquid. "Highly enriched" uranium contains at least 20 per cent of uranium-235, the radioactive isotope which fuels nuclear reactors and atomic bombs. It would have to be wrapped in a thick layer of lead to shield it from radiation detectors.

The loss was discovered during a routine stocktaking at Dounreay, which reprocesses one tonne per year of spent fuel from research reactors in the UK and overseas.

Dounreay is much smaller than the British Nuclear Fuels plant at Sellafield, north-west England, which handles fuel from commercial power stations.

Friends of the Earth, the environmental pressure group, said the "staggering" disappearance "demonstrates at the very least lax procedures". The Scottish National Party said the "scandal" was the latest in a series of management failures and poor materials accountability by the AEA.

Household spending rises to £247 a week

AVERAGE spending per head in the UK rose 11.7 per cent between 1989 and 1990, according to the 1990 Family Expenditure Survey published today, writes John Willman.

Weekly expenditure in 1990 averaged £247 per household, or just under £100 a head. The richest fifth of the households spent £144 a week per head on average, the poorest fifth £54 a head.

Spending on food has fallen steadily over the years as a proportion of total expenditure,

from a third of the total in the 1950s to less than a fifth by 1990. Housing costs have risen in the same period and now match family spending on food for the first time in the survey's history.

The proportion spent on motoring and travel fares is also on the increase. This has doubled since the 1950s and now accounts for 16 per cent of household expenditure.

The average British family spent £45 a week on food in 1990, £40 on motoring and

transport and £16 on clothing and footwear. £10 a week went on alcoholic drinks, £4.82 on tobacco and £1.45 on cosmetics, compared with 92p on charitable gifts.

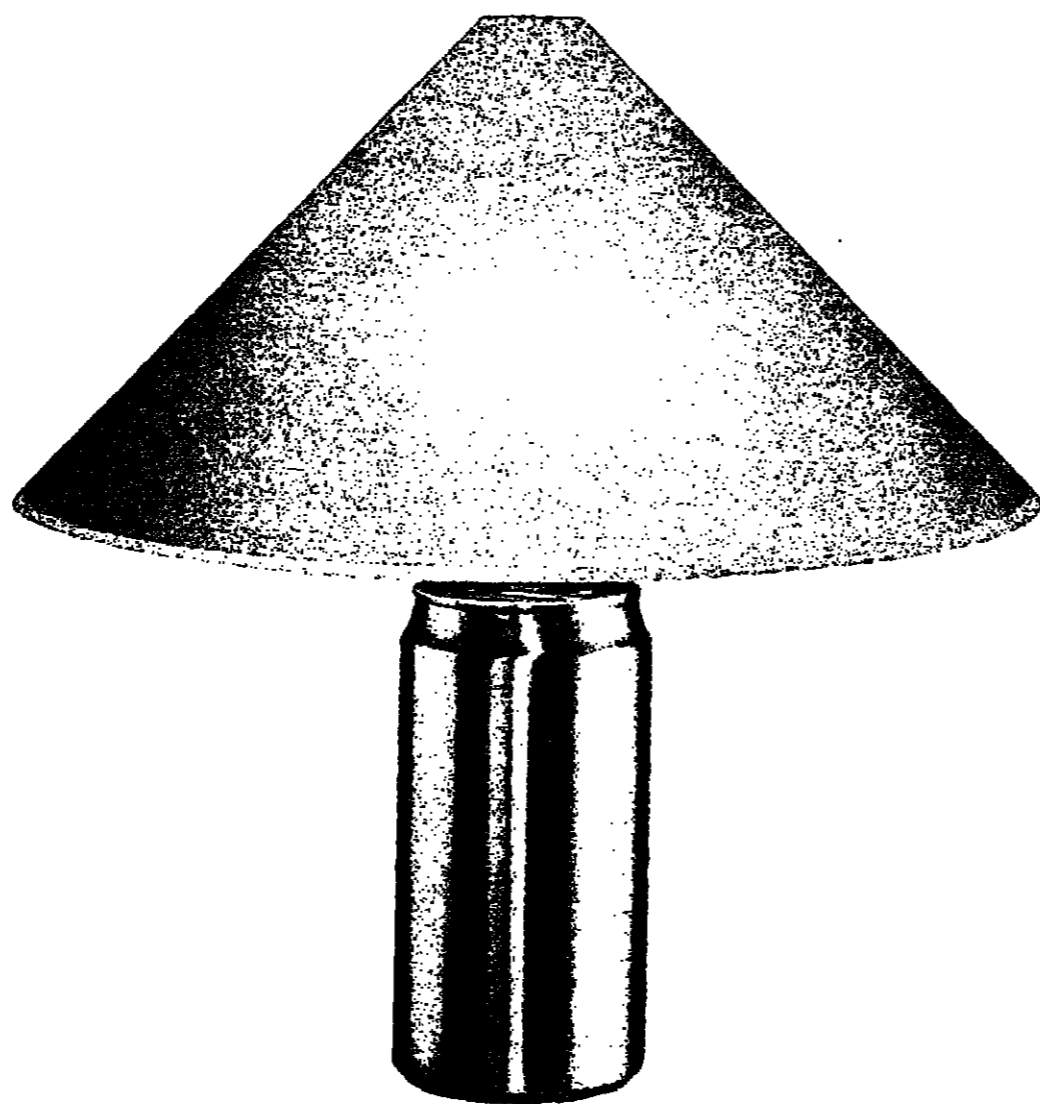
The richest fifth of households spent seven times as much as the poorest fifth on alcoholic drinks, 12 times as much on leisure services such as holidays and 18 times as much on motoring expenses.

Average gross family income was £336 a week in 1990, up from £304 in 1989. Almost

three-quarters of this total comes from earnings, with 11 per cent from state benefits.

Family size is at the smallest size ever, with an average of 2.4 people per household. The number of people aged 65 or over is the highest ever at 0.33 per household. The data collected in the FES - which includes a national rent for housing - is used to create the representative basket of goods and services which is used to compile the Retail Prices Index.

Why can't they all see the light?



If every drinks can bought in Britain last year had been made of steel, the energy saved would have lit every home in Britain for a fortnight.



British Steel: British mettle

BRITAIN IN BRIEF



ECGD sale will net £7m to Treasury

The Treasury will receive only £7m this year from selling the short term insurance division of the Export Credit Guarantees Department: a tenth of the gross sale price which the government announced earlier this week.

Mr Peter Lilley, trade and industry secretary, has published figures showing that while for NCM, the Dutch private sector credit insurer, the sale will cost £70m, net government receipts will be just £12m. However £5m of the receipts will be deferred until 1996 and will depend on the performance of the short term insurance division in the private sector.

Water shortage risk increases

The performance of water companies in England and Wales in 1990-91 presented a mixed picture, with most showing improvements but some deterioration in services. The report from the Office of Water Services says nearly 12m people are exposed to too great a risk of water shortages, mainly in the south of England.

Rise in banknotes

British banknotes in circulation have taken an upward trend, reflecting a pick-up in retail activity in the run-up to Christmas and Sunday trading by supermarket chains. Figures from the Bank of England showed banknotes rose 2.6 per cent over the week to December 4 compared with the same week a year ago.

£400m power station plan

East Midlands Electricity, leading a consortium of French and Spanish power generating companies, has applied to the government and local authority for planning permission to construct a £400m gas-fired power station in Lincolnshire. It anticipates construction on an 18-acre site to begin in January 1993, with the first power produced by October 1995.

Narrowing in food trade gap

Britain's trade gap on food and drink will narrow slightly this year but will still account for more than 80 per cent of the £6.5bn total current account deficit forecast by the Treasury. Food from Britain, the government-sponsored export promotion body has told MPs.

The group told a Commons committee that, on recent trends, Britain's food and drink deficit with other northern European countries would rise from £3.1bn last year to £4bn by the year 2000.

Widening in directors' pay

Directors of small companies earn less, have fewer benefits and take less holiday than their counterparts in larger businesses, according to a survey by an employment consultancy and the Institute of Directors.

The survey showed that directors of companies with turnover of less than £20m earned an average of £37,700 a year compared with £44,000 for all directors, though both categories received increases of 8 per cent on average last year.

Union would cut managers

Many senior British Coal managers would be replaced in the event of an employee buy-out, the Union of Democratic Mineworkers has said. The UDM opposes coal privatisation but believes that if it does go ahead employees should have a holding of 25 per cent, held in an employee share ownership plan, and a corresponding number of seats on the board.

The UDM proposes that 10 per cent of shares be given free to employees, who could apply for a further 15 per cent on special terms.

Schools need extra £671m

Primary schools in England and Wales need at least an extra £671m a year - equivalent to the entire budget for school buildings - if they are to implement the national curriculum effectively, consultants Coopers and Lybrand Deloitte have said.

The report, for the National Union of Teachers, estimates that the extra spending is necessary over a five year period to meet additional demands for teaching staff, books and equipment necessary to meet the new curriculum, which is currently being introduced into primary schools.

LSE companies 'perform better'

Companies quoted on the London Stock Exchange have consistently displayed higher sales growth, productivity and profitability than comparable unquoted companies in the UK, according to a new study by the City University Business School. Results of the research into corporate performance suggest that there is no evidence to support allegations of "short termism" made against the City.

Baker attacks views of Le Pen

Mr Kenneth Baker, the home secretary, has condemned the opinions of Mr Jean-Marie Le Pen, the French National Front leader who is visiting London, saying that neither he nor any Conservative MP had "any agreement whatsoever with the racist views that he is peddling."

'Alice house' is for sale

The house which inspired Lewis Carroll's book Alice in Wonderland is being sold. The 16-inch-high door through which Alice disappeared to start her adventures is still in the hallway of the building near Cirencester, in south west England.

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KEY FACTS

Area 1,141,748 sq km
 Population 33.0 million (1990 estimate)
 Head of State President Cesar Gaviria Trujillo
 Currency Peso
 Average Exchange Rate 1990 \$1 = 502.26 pesos; \$1 = 886.82
 November 25 1991 \$1 = 624.03 pesos; \$1 = 1,122.94



ECONOMY

	1990	Latest
Total GDP (\$bn)	41.1	n.a.
Real GDP growth (%)	4.2	n.a.
GDP per capita (\$)	1,246	n.a.
COMPONENTS OF GDP (%)		
Private Consumption	64.5	
Total Investment	19.1	
Government Consumption	10.0	n.a.
Exports	20.0	
Imports	-13.6	
Agriculture as a % of GDP	23.0	n.a.
Consumer prices (% change pa)	29.1	21.9
Producer prices (% change pa)	28.6	19.8
Unemployment (% of lab force)	10.6	9.9
Reserves (\$bn)	4.6	6.5
Narrow Money growth (% pa)	25.8	4.6
Broad Money growth (% pa)	29.7	12.3
Discount rate (% pa, end period)	46.1	46.3
Total external debt (\$bn)	17.6	16.3
Current Account Balance (\$bn)	0.4	
Exports (\$bn)	7.1	n.a.
Imports (\$bn)	5.1	
Trade Balance (\$bn)	2.0	
Main Trading Partners (1990, % by value)	Exports	Imports
US	43.2	35.0
Latin America	10.0	20.3
West Germany	8.6	6.9
Japan	4.4	9.4

*1991 figures September, except reserves (October) and debt (June)

Sources: IMF, Economist Intelligence Unit, Banco de la Republica

COLOMBIA 2

Stephen Fidler appraises the economy

On a tide of money

THE COLOMBIAN economy has surprised the country's policymakers.

The reduction of tariffs and freeing of restrictions on capital movements was expected to lead to a surge of imports and an outflow of funds. The reverse has happened: imports have dropped, and so much money is flooding into the country that there are problems in managing monetary policy.

Reserves rose by \$1.5bn in the first 10 months of the year, from \$4.5bn at the end of 1990, and now exceed the money supply as measured by M1. Meanwhile, exports appear not to have suffered, though the exporting sector opposed a July revaluation of the peso.

A complex series of factors has brought about this unexpected response. The initial reduction in import tariffs, after the administration of President Cesar Gaviria took office in August 1990, was accompanied by a promise that there would be further gradual reductions in the future. Importers decided to delay bringing goods into the country until the tariff rates were reduced. This was one factor prompting the government to reduce in one step, 18 months ahead of schedule, the planned maximum tariff to 23 per cent. Undoubtedly, too, importers have been under-invoicing (and exporters over-invoicing), thereby exaggerating the figures.

According to Eduardo Lora Torres, executive director of Fedesarrollo, a Bogotá-based economic research group, another reason why imports did not rise sharply was that the tariff cuts made a smaller difference to the effective protection of Colombian industry than at first sight appeared to be the case.

This was not only for cultural reasons, such as the preference for certain locally grown food, but also related to factors such as the high cost of transporting goods within Colombia. Widespread smuggling also meant that many goods were, in any case, already coming across the border duty-free.

None the less, exporters have been giving the government a hard time, particularly over the revaluation. This is despite the government's argument that the real value of the peso has only been temporarily

increased - the crawling peg, invented in Colombia, continues at a higher pace - and only to levels at which Colombian companies were successfully importing a year ago.

The government's admitted mistake was to speed up the pace of the devaluation when it started to bring down domestic companies that it mistakenly thought would be hit hard.

The speedier devaluation instead made it difficult to control inflation, which in 1990 rose to the historically high level of 32.4 per cent. It will probably come down this year to 27-28 per cent, but that is above the government's target of 22 per cent, which means also to bring down inflation, rather than to accelerate growth as it would prefer.

This will mean continued budgetary stringency in 1992: the government needs to increase revenues by the equivalent of 1.5 per cent of gross domestic product next year. This will involve the passage of a tax bill through congress, although the president has powers to decree the higher taxes if necessary. It is likely also to include a politically unpopular rise in the price of gasoline.

The budget deficit this year is likely to be below 1 per cent of GDP. But it is argued that the deficit is in fact larger: this is because the total yield on the liabilities of the central bank - which has been issuing paper to soak up the liquidity flooding into the country - exceeds the yield on the assets.

The inflation priority will also mean that interest rates will have to remain high. This will pressure on monetary policy. High real interest rates in Colombia (along with low interest rates in the US, and poor returns in other US and international markets, including real estate) have been one important factor in the return of flight capital into Colombia. (There is little likelihood of a big influx of foreign money, except for the finance of big projects such as the Cusiana oil development.)

Also encouraging capital inflows has been the lifting of restrictions on capital movements. Colombians may for the

first time legally hold foreign currency. This appears to have meant that many of them now feel more comfortable about holding local assets, in the knowledge that they can switch them without fuss back into US dollars. A tax amnesty has also been declared, but is said by the finance ministry to have been responsible for about \$250m of the inflows.

The government is not, however, assuming that the inflows will continue indefinitely. As a result, it is conducting a steady policy on its foreign debt and not intending to make big repayments. Its foreign debt fell in the middle of the year to \$16.5bn, from \$17.5bn at the end of December. The government aims to negotiate, though, with the World Bank a mechanism whereby it may be allowed to repay some debt early - the Bank usually frowns on this - while extending maturities.

Disturbingly, much of the capital influx - probably over half - is money being repatriated by drug traffickers. There are several elements to this: drug money responds to market forces, too, and is attracted by high interest rates. But there is also a view that the environment for drug traffickers in Colombia is more friendly than it was under the previous administration of President Virgilio Barco. This is providing, it is argued, a vehicle for a further permeation of Colombian business by the drug traffickers.

This is a worry for Colombian business, which argues also that the exchange rate is being set at a level which reflects not the competitiveness of legitimate business but instead the desire of drug traffickers to find a haven for their vast cash reserves. The government finds it hard to argue with this. Exporters fear that the problem may get worse not better. While Colombia prides itself on its diverse export base - coffee exports accounted for less than 20 per cent of export revenues in 1990, compared with 51 per cent 10 years earlier - it may increasingly have a problem maintaining it. For not only is drugs money likely to keep the peso strong, but so will sharply higher export revenues from primary commodities such as oil and coal.



Tariff reductions have depressed one long-time illegal activity: smuggling. With duties on such contraband as whisky reduced to zero, many smugglers have been left without much of a trade

The peso's revaluation is complicating trade

Exporters resentful

THE NEW Colombian minister of trade has taken office at an awkward time. As a result, Mr Juan Manuel Santos - a former journalist, who spent a decade in London as his country's coffee negotiator - knows he has his work cut out.

Exporting companies are accusing the government of being "anti-exporter". After a decade in which Colombia has successfully diversified its exports away from coffee, which only 10 years ago made up more than a half of exports, its exporters believe they are under threat. A revaluation of the peso earlier this year, and what exporters see as inconsistency in economic policy-making, has been the cause.

Exporters worry that the peso is being set to take account of the inflows of drug funds into Colombia, and therefore at a level which endangers their competitiveness abroad. Moreover, they argue that the diversity of Colombian business is further threatened by primary products such as coal and oil, exports of which are expected to rise shortly and which will also tend to elevate the exchange rate.

From the government's point of view, boosting exports at this stage would merely enlarge the country's trade surplus and provide more fuel for the inflationary fire.

The minister says the government remains keen to keep a diverse export base. "We don't want to continue depending on primary products. Our emphasis will be on exports where we add value." None the

less, the renegotiation of an international coffee agreement - talks over which start this month in London - are accorded a high priority.

The last two years have seen many barriers to trade with Colombia fall away. Tariffs have been reduced to a maximum 23 per cent. This alone has had the effect of depressing one long-time illegal activity: that of smuggling. With duties on traditional contraband such as whisky and foreign cigarettes reduced to zero, many smugglers have been left without much of a living.

After years of looking inwards, the economic opening has left the government seeking partnerships with other countries in the region. This would have been pointless even two years ago, because trade growth was blocked by the model of self-sufficiency that had guided economic policy in Latin America for more than half a century.

The moribund Andean pact - linking Colombia with Venezuela, Ecuador, Peru and Bolivia - has been revitalised. An Andean free-trade zone is planned to go into place next January. There is some scepticism about the importance of this development. Ecuador - worried about being swallowed by Colombia - is one of the few countries in Latin America not to have joined the trend towards a more open economy. Colombia's relations with Peru and Bolivia have traditionally been slight.

However, the link with Venezuela has been accorded a high

priority by the government, signalling an end to years of poor relations between the neighbours. One senior member of the administration said its ultimate aim was integration with Venezuela. "We have very complementary economies," he said.

Reinforcing this impression, the former ambassador of Colombia in Caracas, Ms Noemi Sanin, has just been appointed minister of foreign relations by the president after a successful tour of duty in the Venezuelan capital.

This also gives strength to the so-called Group of Three, which joins Colombia and Venezuela with Mexico. This has significance beyond the arena of trade. The G-3 presidents, for example, have been making efforts to ensure a peaceful transition to democracy in Cuba.

The government has also received enthusiastically President George Bush's Enterprise for the Americas initiative. Still, relations with the US remain ambiguous. Washington has been highly critical of what it sees as the current administration's softer line against the Colombian drug traffickers, and there are also some disputes over trade.

Last month for example, the US called on Colombia to negotiate quotas for its textile exports into the US. According to the minister, the request was "very badly received in Colombia", and runs counter to the free-trade principles encapsulated in the Enterprise for the Americas initiative.

Stephen Fidler

The role of privatisation, hitherto limited, is likely to grow

New life for inefficient banks

THE STATE has never played so large a role in the economy of Colombia as it has elsewhere in Latin America. As a result, privatisation plays a more limited part in the opening up of the economy than in the reform plans of neighbouring countries.

But some privatisation has taken place, and the role of private capital in what hitherto has been the preserve of the government is set to grow.

The income of the central government has been running at between 10 and 11 per cent of national product. The share of national product accounted for by the government and other state entities peaked in 1980 at above 30 per cent, but since 1985 has been constant at around 28 per cent. The proportion of government spending destined for investment has fallen from half of total spending in the 1970s to about a fifth more recently.

But the government is no more efficient in Colombia than anywhere else. Privatisation has started with the sale of banks bailed out by the state

in the finance crisis of the 1980s. Two have already been sold, the purchasers being Venezuelan; a third is in the process of being sold. The finance ministry expects to privatise two banks next year, and two or three in 1993.

The privatisation - together with new rules which allow foreign banks once more to take a majority stake in their

near Santa Marta. Some 10m tonnes of coal a year are expected to be transported on this sector.

A private company is also set to operate, with Italian financing, a line along the Magdalena river to Santa Marta. The inefficient state ports monopoly, Colpuertos, is being broken up under a law passed at the start of this year. Many of

has been a great drain on government finances since the government was persuaded to spend vast sums, financed from abroad, on hydro-electric projects. The finance ministry believes that generating stations might be able to compete to supply electricity to a central grid, which may itself in time be privatised. Such generators might also have to compete with power exported from Venezuela.

A collection of miscellaneous enterprises, such as fisheries and paper mills owned by the state holding company, are also being sold off. A domestic airline run by the military is on the list, as are some government buildings and other properties.

Meanwhile, the municipalities, to which more power has been devolving in recent years, may also decide to sell enterprises that they own. For example, Bogotá is considering the sale of its telephone company, most probably through a flotation on the Bogotá stock market.

Stephen Fidler

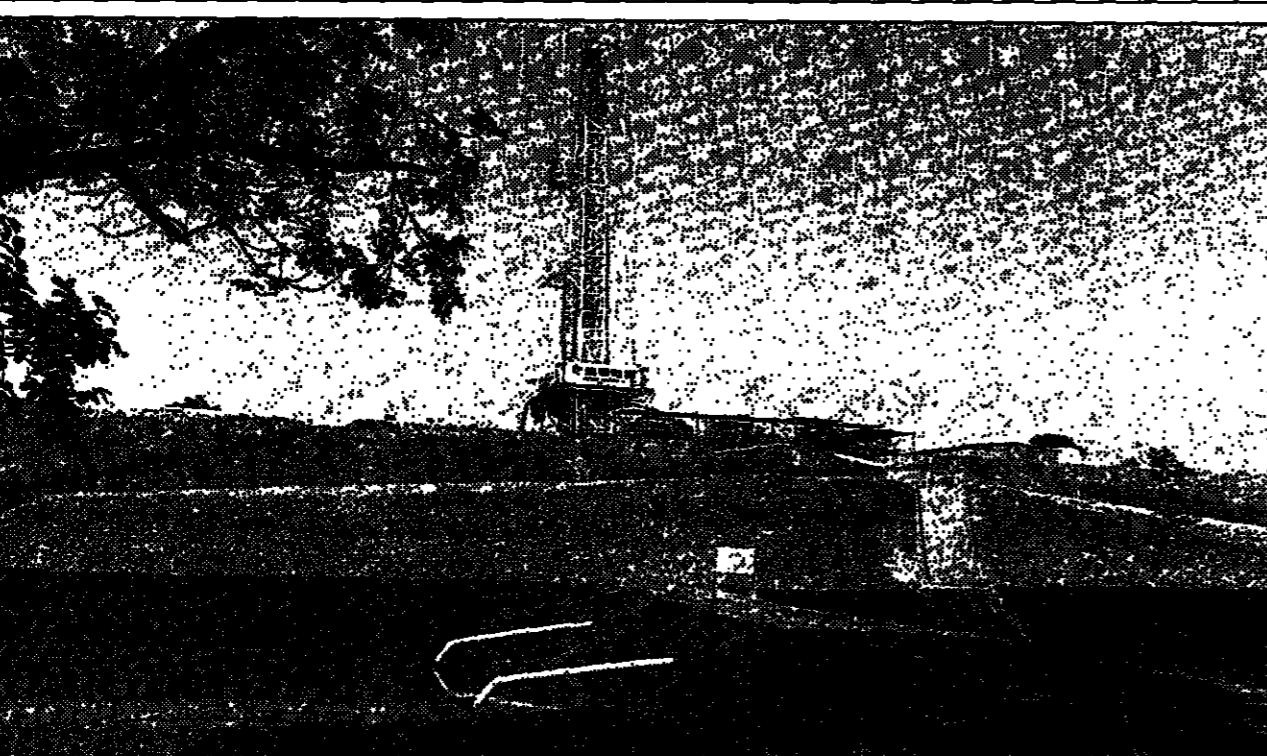
The government will still own the tracks, but private operators will run the railway system

Colombian subsidiaries - will, it is hoped, breathe life into the country's inefficient banking sector.

The private sector is also expected to play a role in infrastructure development. While the government will continue to own the tracks and the land on which its run-down railways sit, private operators will run the system. For example, the US company, Drummond, will operate on a line from coal deposits in Cesar province to a private port on the Caribbean

its bureaucrats have been sacked. While the government believes that selling the ports would be too expensive, and therefore would not attract private capital, private operators are expected to be managing two ports - Santa Marta and Tumaco, on the Pacific coast - by next March. The process should be completed by 1993, when all five state ports should be being managed privately.

The government may also attempt to sell its power-generating plants. The power sector



Cusiana: a major sample of success achieved by the association contracts in Colombia.

Cusiana, the most promising oil field in South America, evidences the goodness of association contracts signed with "Ecopetrol". The Colombian Oil Company.

The association contract is one of the systems used in Colombia in the exploration and operation of hydrocarbon deposits owned by the Nation. Association contracts with Ecopetrol are aimed at achieving proper utilisation and development of energy resources while, at the same time, foreign investment is encouraged by fixing international prices on crude oil found in current exploitation activities.

This system has proven to be successful as shown by the fact that up to now 320 association contracts have been entered, out of which 92 are still in force. Reserves found under the association contracts amount to 1,194 million oil barrels and the success-rate for exploratory drilling has been 16.7%.

In the performance of these contracts, findings made are of considerable importance because of both the size and the quality of hydrocarbon deposits as in the case of the "Caño Limón", "San Francisco", "Chuchupa" and "Cusiana" fields, among others.



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Agriculture: the coffee crisis has serious social implications

Lower prices percolate

COFFEE-GROWERS in Colombia are only just beginning to feel the impact of low international prices, more than two years after the collapse of the Coffee Pact.

They have been so well protected from world market prices that production has risen to around 15m bags a year, squeezing the national coffee fund and forcing Colombia to increase its stocks.

Although Colombia raised export volumes by 25 per cent in the two years following the end of the pact, earnings fell by 16 per cent. Now that the consuming countries hold 8m bags of coffee and non-members of the pact (especially east European nations) have reduced their purchases, exports have fallen again.

"We've had to retain nearly a million bags in 1990-91, and it'll be more in 1991-92 - but it would be even worse for the market if we tried to sell this," argues Jorge Cardenas, head of the coffee growers' federation, Federacase.

Mr Cardenas believes that, unless producing countries act

to reduce the supply of coffee by at least 5m or 6m bags, prices will stay down for another two years. He still favours a retention scheme of some kind, on the grounds that urgent measures are needed and that negotiating pact-style quotas is too long and complicated. But most coffee experts outside Federacase fold no longer expect any form of agreement.

"Colombia's case is dramatic. The crisis has been very slow in reaching the producer."

Banana exports last year brought in more than \$300m

He looks at the domestic market and the real price has barely dropped. We have to make the grower aware, and at the very least stop production from increasing," said Mr Cardenas.

The national coffee fund finances the purchase of the crop at a guaranteed rate, equivalent to about \$85 cents a

pound. When the domestic price is higher than the world price, transfers are made to private exporters - who handle about half of Colombia's exports - so that they can pay growers the official rate and stay in the business. All of this benefits the producer, who also received generous support for fertilising, spraying and improving his coffee trees until recently.

"We'll have to be realistic," said Gabriel Rosas, manager of the private exporters' association. "The coffee fund hasn't the resources to go on subsidising production. Coffee is still very attractive, compared with other crops, and this level of production is unsustainable."

Production forecast at 15.6m bags for the 1991-92 coffee year - has risen mainly

because of large-scale renovation and higher yields, rather than any extension to the million hectares sown with coffee.

The decision to give the grower savings certificates for 10 per cent of the value of his crop, instead of paying in full, is "like an aspirin for a grave illness," warns Mr Rosas. But there is an important social angle to the price-production problem, because the high level of income and excellent infrastructure of the Andean coffee regions is seen as a way of keeping violence at bay. Guerrilla groups have little influence in coffee country, and relatively few coca or poppy plantations have been found.

The weakening of the coffee fund has forced Federacase to cut back its diversification pro-

gramme, despite the success of fruit-growing and livestock ventures.

"There is greater caution about investing in new projects, because of economic liberalisation, and because interest rates have gone up a lot," said Alvaro Rodriguez, of Federacase's diversification unit. "We're doing more research on fruits, to increase yields and competitiveness. We plan to improve the crop and post-harvest handling, rather than produce greater quantity."

Fruit-growing has bloomed rapidly in the last few years, with Andean blackberries, soursop, passion fruit and mango juice finding markets in Europe and the US. But Colombia's most important fruit export is bananas: last year sales brought in over \$300m.

and this year looks even more promising.

Commercial banana plantations cover about 30,000 hectares, with the main concentration in the north-western frontier region of Urabá. Banana-growing is one of the few sources of employment in Urabá, which was beset by guerrilla and drug violence, as well as trade union conflicts, during the 1980s.

Other tropical commercial crops with good prospects include sugar-cane, cotton, rice, soy and African palm. The extraordinary range of altitude, climate, soil and humidity make it possible to grow a tremendous variety of crops in Colombia, and some can be harvested all the year round. Dairy cattle and flowers are the most profitable busi-

nesses in the cooler, higher altitude regions. Although some grains are produced by peasant farmers, most of Colombia's wheat and barley are imported.

Colombia's urban/rural balance has reversed over the last 50 years, with less than a third of the population now living in rural areas. While poverty has diminished in most of the Andean regions, where integrated rural development programmes for small farmers have proved most effective, the

ranches, with urban owners who rarely visit for fear of being kidnapped, occupy most of the land. "We've lost a lot of time talking about agrarian reform," said Mr Rosas, who is a former minister of agriculture. "We need more action and better management."

According to the Colombia Farmers' Association, rural violence, combined with tariff reductions and uncertainty about support prices, have affected this year's agricultural performance. The association predicts 3.5 per cent growth for 1991, compared with 4.3 per cent increase in 1990.

Agricultural exports, excluding coffee, were worth about \$900m in 1990 and did well in the first half of 1991, but revaluation and other measures may dampen the overall figure for the year. With a saturated world coffee market, lower volume and lower prices will push coffee down to less than 20 per cent of Colombia's total exports.

Sarita Kendall

Oil earnings should continue to increase

New find points to self-sufficiency

OIL HAS replaced coffee as Colombia's top export, and if the "world class discovery" at Cusiana comes to fruition, oil earnings will continue to climb during the 1990s.

Although both British Petroleum and the Colombian state oil company, Ecopetrol, have been cautious about quantifying the Cusiana find, it is clear that the light-oil and gas reserves will have a major economic impact and are already changing national energy plans.

Colombia has about 1.9bn barrels of crude oil and oil production averaged 240,000 barrels a day in 1990. On the basis of these reserves, production is expected to increase slightly over the next two years, and fall rapidly after 1993. However, Ecopetrol has already said that the Cusiana reserves ensure self-sufficiency and crude exports - currently running at about 180,000b/d - up to the end of the century.

Cusiana has refocused attention on the eastern plains or Llanos, especially the fringe along the foothills of the Andes mountains. BP is exploring blocks immediately north of the Cusiana field, while other foreign companies have taken up most of the remaining acreage in the area, in association with Ecopetrol.

The geology is complex, and oil-bearing formations at Cusiana are nearly 15,000 feet down. Each well takes at least nine months to drill, at a cost of about \$30m, provided there are no technical hitches. BP, operating for its partners,

Triton, Total and Ecopetrol, is expected to put five or six rigs to work next year in order to define the extent of the field.

A group of families, claiming rights to part of Cusiana's production, has presented Ecopetrol and the government with an embarrassing legal tangle. However, this problem is not expected to delay production, which could start towards the end of 1993 or early 1994. At first, spare capacity in the central Llanos and Cano Limon pipelines would be used. But if tests confirm production levels anywhere near the 500,000b/d

The geology of the Cusiana field is complex. Each well takes at least nine months to drill

speculated in oil circles, another trans-Andean pipeline will be needed.

Further into the Llanos, Tuskar is already producing a small amount of heavy crude from the Rubiales field. Geologists believe there could be a large band of oil curving eastwards across the plains towards the Orinoco. The Rubiales field is shallow, and the wells therefore quicker and cheaper to drill than those in the Andean foothills.

Production could eventually rise to more than 70,000b/d, though further exploration is to be carried out before development plans are agreed. Ecopetrol is to contribute 30 per cent of these exploration costs, while Dyas is also a

partner in the Rubiales structure.

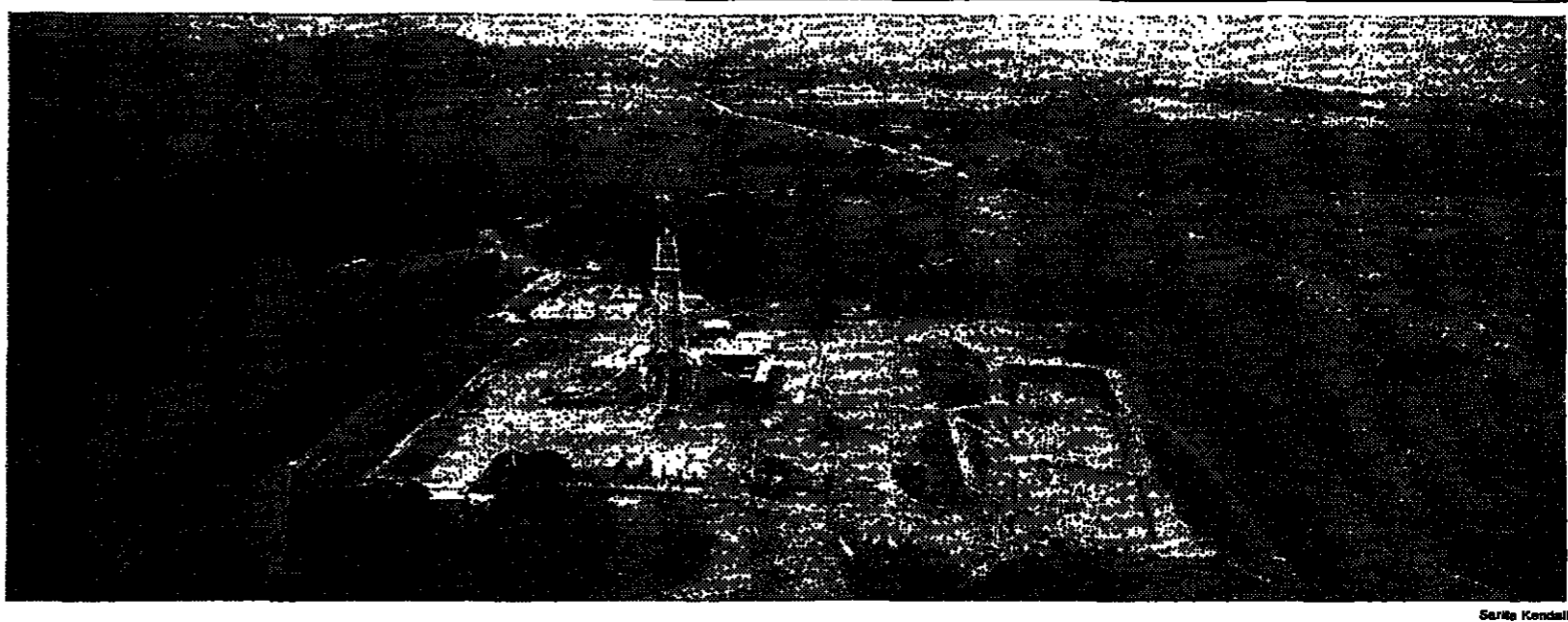
"It's very difficult to define the extent of Rubiales," said George Woodcock, Tuskar's manager in Bogotá. "It's an unusual structure, and we don't know exactly how the oil is trapped... The proximity of Cusiana may be our salvation - the oil is so light and could be blended with Rubiales."

Although foreign companies invested \$1bn in exploratory drilling during the 1980s, the rate fell in the second half of the decade. According to Ecopetrol, association contracts are still much more popular than risk agreements, and the state company says that the recent liberalisation of foreign investment rules, which are part of the government's programme to open up the economy, have been welcomed by the transnational.

"Cusiana has aroused a lot of interest, but it's not the only area. We've just signed a contract today and that's 90 in effect at the moment," said Mauricio Vega, Ecopetrol's financial vice-president. "Ecopetrol is doing seismic studies in new regions, such as the Pacific coast, to build up more information and attract foreign companies."

However, foreign companies also have to take other risks into consideration: there have been more than 50 attacks on the Cano Limon pipeline so far this year, and kidnaps are a constant threat. Ecopetrol estimates that the guerrillas have cost the oil sector over \$700m in recent years.

Hopes that the Caracas peace talks between the



BP's rig in the Llanos region, near the Cusiana discovery. The company is expected to put five or six rigs to work next year in order to define the extent of the field

government and rebel groups would lead to a cease-fire and disarmament have virtually evaporated. Even if an agreement with the guerrilla co-ordinating group can be reached, experts believe the radical core of the ELN would split off and continue to dynamite oil infrastructures. All the oil companies devote resources to winning hearts and minds - building health centres, roads and schools, buying local produce and employing local labour - but this has proved a more effective tactic in FARC-controlled territory than in ELN areas.

Guerrilla activity has delayed the completion of the Colombia pipeline, a 483km connection between the Middle Magdalena and Covenas, the Caribbean terminal. This will now be finished in 1992, and will allow production from the Upper Magdalena to be exported, and provide a link through to the central Llanos. Colombia will then have three pipelines crossing the Andes -

two serving Covenas, and the older one in the south from the Putumayo to the Pacific coast. Over the next five years, Ecopetrol plans to spend \$2bn on expanding refining capacity and investing in petro-chemical projects. As a result of the Cusiana discovery, the state company is re-thinking a recent decision on where to locate a new 100,000b/d refinery, as well as

the mix of products needed. Colombia's refining capacity is about 250,000b/d, and although fuel oil is exported, 29,000b/d of petrol has to be imported for domestic consumption.

Another \$1bn is to be invested in natural gas, which is to be much more widely used in residential areas. Here again, Cusiana will probably play an important role, as its gas reserves are considerable.

But in the short term, a pipeline may be built to bring gas from Venezuela. In order to stimulate the private sector to take on the transport and distribution of gas, Ecopetrol will have to raise the price, a policy decision which is expected soon.

Despite petrol imports, Colombia's oil balance registered a healthy surplus of more than \$1bn last year. The

Sarita Kendall

Mining: the aim is to double steam-coal exports

'A lift from Europe's closures'

LONG AGO, gold and emeralds aroused the greed of the Spanish conquistadores and, as the fabulous work in Bogotá's gold museum shows, gold played an important part in pre-Colombian cultures.

But although gold and legal export of emeralds still contribute 7 per cent of foreign earnings, a less mystical product - coal - is now the mainstay of the mining sector.

Within 10 years of entering the world market, Colombia has taken 8 per cent of the steam-coal trade and become the fourth largest exporting country.

Antonio Pretelt, president of the state coal company Carbo-col, says the aim is to double exports to more than 30m tonnes by the end of the century and supply 12 per cent of the international market. He foresees an improvement in demand and prices after 1993, particularly as European mine closures affect production.

Although Carbo-col will not be investing in any new projects, studies are under way to expand the northern Cerrejón mine, which will reach initial production capacity in 1993. The plan is to raise output from 15m tonnes to about 22m tonnes - this will enable a further \$200-400m from the mine partners, Carbo-col and Exxon. The state company is restructuring about a third of its \$1.6bn debt, and hopes to become a profitable enterprise in four years time.

El Cerrejón is still synonymous with coal in Colombia, but this is beginning to change as the development of other large mines gets under way. Drummond is due to start work at La Loma, in the department of Cesar, during the first half of 1991, with a view to producing within three years.

The US company has signed a contract with the Colombian national railways for the trans-

port of up to 10m tonnes of steam coal a year from La Loma to the future port at Ciénaga - this will be a severe test of the railway company's ability to provide an efficient regular service and to ensure that the line is rehabilitated by 1994.

Other steam-coal projects include Prodeco's 3m tonnes mine at Calenturitas, the central zone of El Cerrejón and El Descanso, which could produce 12m tonnes a year. Mr Pretelt says the Japanese are interested in the Chocó deposits close to the north-west coast, though these still have to be explored. Japan and Hong Kong already buy nearly 1m

tonnes of coal a year from Colombia - a west-coast mine and port would be much better placed to supply oriental markets.

In 1990, coal exports reached 14.5m tonnes, bringing in \$345m. Europe is Colombia's most important market, especially Denmark, Holland, France, Spain, the UK, Ireland and Italy. Domestic consumption is very low at present, but there are plans to build more coal-fired power stations: the electricity sector's \$5bn debt is making it difficult to finance expensive new hydro-electric schemes, and the government hopes the private sector can be encouraged to invest in thermal power.

One big electricity consumer lying close to coalfields is the Cerromatoso nickel plant. Cerromatoso's deposits are both plentiful and rich in ore. Despite a series of ups and downs in the mid-1980s when technical, financial and price

problems all coincided, the joint venture has recovered. Annual production is back above 40m pounds of ore, and last year's earnings were \$146m.

Whereas Colombia's nickel ore manufacture is a highly industrialised process concentrated in a single plant, thousands of families pursue the call of gold, migrating wherever rumours report good pickings. Antioquia produces about 60 per cent of the country's output, but many departments have enough to support small armies of wandering miners.

Efforts to realise bigger, more technically sophisticated gold projects (for instance, in

mercury into gold-bearing alluvium, then heat the mix to evaporate off the mercury. Other processes also involve washing mercury straight into streams and enormous wastage.

The new minister of mines, Juan Camilo Restrepo, has promised to give special attention to improving techniques among small miners, and grouping them into co-operatives such as those in the southern gold mines of Narandino. Here, yields have already improved by as much as a third.

The bank's rate is calculated with reference to international prices, and the gold is refined into bars by three Medellín companies, then sold in Europe. Only about \$350m of Colombia's reserves are kept in the form of gold. The bank is setting up a laboratory in Medellín, so that gold purity can be certified, and eventually a freer local market may be opened up.

Emerald production had, until recently, been associated with violence and inter-gang massacres, but a peace pact agreed in the mines last year has brought an unusually long spell of tranquillity. Companies and prospectors alike have benefited, so much so that production has apparently soared and traders are worried about keeping prices up.

The Japanese buy most of Colombia's emeralds, particularly the best quality stones. But no one can put a reliable figure on either production or exports - much of the trade is illegal. Last year's official income from emeralds was \$130m, twice the sum reported for 1980. People close to the emerald business believe the real export figure may be three to four times as much, swelling the flood of unidentified incoming currency.

Sarita Kendall

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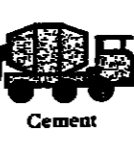
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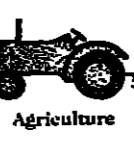
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COLOMBIA 4

Indian priorities in Congress are land, justice and education for...

The 75-tongued minority

ARRAYED IN striped poncho and red and yellow feather head-dress, Gabriel Muryu epitomises the blend between Andean and Forest Indian cultures.

He belongs to the Inga, one of the few groups in Colombia which formed part of the Inca empire at the time of the Spanish conquest, and he is the National Indian Organisation's first representative in the Senate.

Senator Muryu owes his seat not only to his votes but also to the persistence and energetic public relations work of the two Indians elected to the Constitutional Assembly. Once our communities understand the reality, they can make suggestions - our task is to take up their projects and fight for them in Congress," said Gabriel Muryu. "I don't know exactly how much a senator's salary is, but mine will not go into my own pocket - it will help make a fund to support Indians and lawyers who work with us in Bogotá."

For the first time, the Constitution recognises that Colombia is multi-ethnic - the country has more than half a million Indians, speaking 75 different languages. The most vociferous, least isolated and best organised have been those living in the Andes Mountains of the south-west, where they farm potatoes, maize and beans on steep hillsides. The long tradition of resistance to the Spanish sword and cross in this region fostered the development of a guerrilla group which has joined the government's peace programme.

At the opposite end of the country, spread across the baking Guajira Desert peninsula, are the semi-nomadic Wayuu communities. Like other Indian groups, they were decimated by imported diseases after contact with Europeans, and now several have died of cholera.



Gabriel Muryu: 'we believe in the defence of the forests, too'

Their economy is based on goats and contraband, but the state recently gave back a stake in the Salinas salt pans, originally worked by the Indians.

The Wayuu will benefit from a constitutional change which allows Indians in frontier areas to have dual nationality, thus reducing friction with the Venezuelan authorities, caused by frequent migration.

Up above the Wayuu, on the slopes of the Sierra Nevada, are the Kogi and Arhuaco Indians, whose myth makes them responsible for looking after the Sierra, considered to be the centre of the world. Incoming settlers and guerrilla groups have pushed them off traditional lands, and cut down trees to grow coca and marijuana, leaving the Indians in the crossfire between rebels and military. A year ago, three Arhuaco leaders were murdered after being taken off a bus and detained.

The Indians' priorities in Congress will be land, justice and education. Land allocated to Indians as reservations is held in common, and the constitution gives Indian authorities considerable autonomy in governing their territories. But there are conflicts over reservation boundaries, over non-Indians living inside the reservations, and, in some areas, the land is far short of community needs.

chin priests. He approves of their learning Spanish, explaining: "We're all bilingual here. The young kids speak our language, it's not like other places where they've lost the culture. The problem is the young people, who go off to secondary school in Bogotá. They come back and talk, talk, talk, but there's nothing for them to do. I was at the ceremony when all this land was handed over to us, and we said we needed training - in carpentry and breeding pigs, things that would be really useful to us."

Bilingual education is another ethnic right specified in the new constitution. ONIC has fought for this on the grounds that language is the main key to maintaining cultural identity. The Tsimane Indians along the River Amazon are rapidly losing both language and cultural traditions. "The old way, with the grandparents teaching the children how to do things and telling them stories, doesn't work any more," said a Tsimane leader. "The children don't understand our language, and the grandparents don't speak Spanish."

The 500th anniversary of Columbus' discovery of America is being put to good use by the Indian organisation. Seminars, talks, courses and exhibitions are spurring awareness among Colombians. When the Japanese-financed replica of the Santa Maria arrived in Cartagena, the Indians shouting "Down with the invaders" were given as much coverage as the expedition.

ONIC's representative to the constitutional assembly argued that celebrating 1992 was an offence to Indians, and that the anniversary should be dedicated to funding development on behalf of Indian communities.

After centuries of neglect and disillusionment, many Indians are sceptical about parliamentary politics. Gabriel Muryu shrugged off any suggestion that political power could be corrupting, and stressed that the three Indian senators would be working together, not only for Indian rights, but for peasants, workers and street people. "It will be hard, disciplined work - we have a lot of ground to catch up."

Sarita Kendall

Better roads will hinder the guerrillas

STEPHEN FIDLER considers the problems of topography and infrastructure

Geography has created the extraordinary diversity of Colombia's regions, but has impeded the development of its economy. It is impossible to travel by road from Bogotá to some parts of the country, because of the three lofty Andean mountain ranges that split the country. Routes to the coasts from the capital and the cities of Medellín and Cali are slow and tortuous. The government plans to tackle some of these shortcomings. As in other Latin American economies, the long-term path to growth through the opening of the economy to the outside

world is obstructed by the bottlenecks caused by a lack of physical infrastructure. The infrastructure has been weakened as government investment has fallen amid the budget restrictions of the 1980s. In the words of one government official: "The roads are terrible, the trains are horrible and the costs of transportation are enormous."

A poor road system also helps to foster guerrilla activity. "The guerrillas are afraid of roads," he said. Now, as elsewhere in the region, the Colombian government is looking to a mix of public and private capital to improve its roads, rail network and ports. Private companies are coming in to manage ports, and operate the railroads.

Investment by the government over the next four years in the railways is estimated at \$200m, that in the roads about \$1.2bn, according to officials. In general, the government expects to finance half of this through domestic resources, and half from external finance from sources such as the World Bank and Inter-American Development Bank. The domestic finance should, according to senior finance officials, be provided out of an 8 per cent surcharge on the basic 15 per cent maximum import tariff that was introduced in August.

The operation and maintenance of these toll routes is expected to be profitable, according to the government. On the roads, the priority is the route from Bogotá to the Atlantic coast along the Magdalena valley. The government aims to build another bridge across the Magdalena river and nearer the coast. A road, via the Magdalena valley, linking Medellín and Riohacha on the Atlantic coast is also a priority; a road is planned from Bogotá to Arauca province, through the guerrilla country which will soon become one of the main oil-producing areas. Also planned, as one of the 12 road-building or upgrading schemes, is a carryway between Villavieja, in Meta province, through Bogotá and Cali to Buenaventura on the Pacific coast, and a western corridor route through Cali and the Cauca valley.

Drugs: as suspected Colombian heroin reaches New York

Poppies are the new enemy

COLOMBIA IS being invaded by a beautiful but sinister plant: the poppy.

For those who saw the Colombian trade in marijuana give way to the more lucrative and dangerous commerce in cocaine, this infiltration is deeply worrying.

Already heroin suspected to be of Colombian origin has turned up in the streets of New York. With a street price in the US of between \$120,000 and \$200,000 a kilogram, it is 10 times more costly than cocaine. For the traffickers, that means less risk for significantly more profit.

The economics of the drugs business has been changing. The street price of cocaine has been weakening in the US. As a result, the drug-runners have turned to other markets where profits are bigger: Europe and Japan. The prospects of a border-free western Europe and new markets in the east of the continent (suspected Colombian cocaine has already been found in Poland) have increased the importance of Europe as an outlet for Colombian cocaine.

For this reason, some traffickers have turned their attention to the poppy and its dangerous derivative.

The first unconfirmed reports of poppy fields in Colombia reached the US Drugs Enforcement Administration of

the US about 1984. But it was not until this year that a sharp increase in production was first proved, with the discovery of 921 hectares of poppy fields in Huila province.

A report issued last month, by the Colombian security agency DAS, suggested that 25,000ha of poppies were being cultivated in Colombia. Each 1,000ha is capable of producing 7,000kg of opium or 700kg of heroin, the report said. The area under cultivation is open to question, however, and some drugs experts believe it may be anywhere between 3,000 and 15,000ha of poppies.

The report also indicated that the main poppy-growing areas were situated in the areas of influence of the guerrilla groups which have been in peace talks with the government in Caracas - the FARC and the ELN. FARC itself "owns, administers and controls" poppy plantations in Tolima and Cauca provinces, DAS has said. No laboratories for the production of heroin have yet been found, although laboratories making morphine base have been discovered in increasing numbers.

There is also evidence of co-operation with the traditional producers of heroin in the so-called golden triangle in south-east Asia. Colombian poppy-growers cut the poppy heads vertically, as do growers

in Asia, rather than across the head as in Mexico. The final product also resembles Asian heroin rather than the brown heroin of Mexico.

The poppy is vulnerable to spraying, in fact to the kind of herbicide used to destroy marijuana plants over a decade ago. If the government does not attempt to eradicate the poppies before they get out of hand, it will be taken (certainly in the US) as another sign that the Colombian government is not serious about tackling drug traffickers.

Such a suspicion was raised early in the Gaviria administration. While President Cesar Gaviria has put a stop, for now at least, to the so-called narcoterrorism that shook the media classes in the last period of the Barco administration, many wonder what price was paid for that.

Leading members of the prominent Medellín "cartel" have given themselves up with a promise from the government that they would not be extradited to the US. The most prominent, Pablo Escobar, surrendered to the authorities in June and is now in a jail above Medellín.

Meanwhile, the trafficking of the cartel continues unabated, and although the high-profile bombings in Bogotá have stopped, no fewer people are

being murdered in the country.

Other groups, such as the almost equally notorious Cali cartel, continue to go about their business and may be in a position to threaten the government if they are not allowed to. Testimony in the trial of the former Panamanian leader, Manuel Noriega, has linked a former president and prominent member of the ruling Liberal party, Alfonso López Michelsen, to the Medellín group.

Pablo Escobar himself was said to have described López Michelsen as his "political patron". The former president has denied the charges, made in court by the convicted Colombian drug trafficker Carlos Lehder. But the fact that many people in Colombia were not surprised by the testimony indicates a pervasive belief that the influence of the drug traders extends deeply into Colombia's political classes.

The combination of new measures to open up the economy and a perceived healthier environment for drug-runners appears to have encouraged the return of drugs money into the country. It is feared, not least by legitimate businessmen, that this heralds a further infiltration of the Colombian economy by the drug-runners.

Stephen Fidler

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No free lunches on the chairman's schedule

Lucy Kellaway meets Bob Horton in the lair he designed



MY OFFICE

"So sorry to have kept you waiting," Bob Horton stretches out both arms in an exaggerated gesture of welcome. "Do come in." The boss of Britain's biggest company is being disarmingly deliberate. "People say they are frightened of me, so I try to make them feel at ease."

His smart new office, which he designed himself, is a conscious effort to reassure his guest. "The office of the chairman of BP is quite awe inspiring enough - alas - without high ceilings," he confides. So he has put a low ceiling into the front room of the fine classical building in the City of London designed by Sir Edwin Lutyens for BP in the 1920s. He has cut off one corner, lined the walls with green silk - his favourite colour - and put pot plants and flowers where one would expect them. He has also added a few weights. Pale beech panelling and low lamps give the impression of a luxurious, somewhat impersonal, sitting room.

You would never guess this was the office of "Hatchett Horton", respect for thousands of jobs lost at Standard Oil in the 1930s,

and probably the most ruthless man to have got to the top of BP. The room is a symbol of Horton's new look management: post-modern, streamlined, un-bureaucratic.

The long, narrow space, some 40 feet long and 20 wide, was designed around a priceless Persian carpet which has been in the chairman's office for decades, Horton explains. One end is a "work area", the rest of the room is what he calls the "relax area".

In the work area, there is no paper, and no sign of work of any sort. There is no imposing desk; instead, Horton sits at an elegant Lutyens octagonal table, on which BP corporate policy has been drawn up since 1922. "In-trays and out-trays should have gone out with the ark," he says. Horton points to a small pile of documents sitting neatly on a shelf, next to two blue bottles of designer mineral water, and frowns. The papers are the only part of the design that displease him. "These are the things I haven't quite read - good, well-meaning reports by worthy people. I really should throw them out."

The intimidating banks of screens and telephones that used to be a part of his office a few years ago are gone. Instead a single state-of-the-art computer displays by rotation foreign exchange rates, bond prices, BP news and general headlines. Horton

uses the screen to send electronic messages to his colleagues, although he stresses they can always pop in and see him.

Propped up next to the screen is an empty wooden book holder, bought from one of the many charities that he supports. "Debbie, where's my diary?", he calls out to his secretary. Next door, in a much more functional room, Debbie sits with her helper and back up, and stretching out behind them are Horton's personal assistant, his speech writer, his events organiser and his chief of staff. "It's very much like a senior cabinet minister's staff," he says, avoiding a comparison with the prime minister - a position he used to covet.

Horton retrieves his diary and opens it, revealing a mass of entries. "I am fully booked most of next year for lunches and dinners," he says. "My first free evening is on June 25."

It is in the so-called relax area that Horton receives the visitors who are squeezed into his diary from 8.15 in the morning. He says he tries to keep an hour every day to himself, but never quite manages it. He rarely gets home before 11 at night, which is why he needs his "bolt hole" in the country at weekends.

"I do not like a formal setting when I am talking," he says. "A desk is a barrier." Instead his visitors sit on deep green sofas around a glass



Bob Horton: "People say they are frightened of me, so I try to make them feel at ease"

coffee table, looking at two large pictures by the British 20th century painter, Edward Burra, and at an outside ship in a glass box that was a present from his days running BP's tanker division.

Behind them are the bookshelves holding Horton's personal library. "I am not seriously bookish, but I do read a lot of books," he says. His diaries feature strongly in the collection - 30 fat Economist desk diaries stretching back to 1972. Otherwise, he has copies of biographies of oil

industry giants, Boone Pickens and Armand Hammer, corporate histories of Cazenove and the Financial Times, an anthology of anecdotes and Paul Samuelson's first-year textbook of Economics.

Scattered around are "nice things to provoke memories", trophies and photographs of his family - one with his wife and daughter standing in ball gowns next to a pair of milk churns. "I don't draw a line between home and office," he says.

A cupboard discreetly hides a

fridge containing white wine; above it is a TV on which to watch "the videos people are always sending me". Whatever Lutyens would have made of the new casual, asymmetrical look, Horton reckons the room sends out the right signals about himself and his company. "This is a quality design" showing characteristic modesty, "and BP is a quality brand."

This is the first of a fortnightly series which will look at managers in their offices.

Brake on law of averages

By Christopher Lorenz

Large multinationals need to be looser, faster on their feet, and more flexible if they are to remain competitive. So they must stop organising themselves "by averages": applying the same structures, rules and procedures across all their businesses worldwide.

Instead they should redesign themselves systematically, tailor-making the structure, responsibilities and location of each division and business unit to its own particular needs and strengths.

This is the main conclusion of an article on "reshaping the global organisation", published in the latest McKinsey Quarterly.

It comes in the wake of research by the management consultancy which suggests that nine out of 10 chief executives of leading companies think international organisation is today's most important unresolved challenge for top management.

The article outlines a detailed process of analysis and reconstruction by which companies can reconfigure each of their business units into ones with the optimum balance of local, regional or global responsibilities, depending which is most appropriate.

As part of this reconfiguration, functions currently carried out by a company's corporate headquarters should be decentralised wherever possible, and shared out among leading businesses around the world, argues the article's author, Ingo Theunert, a US-based consultant with considerable European experience.

Part of his analysis and prescription parallels that of Christopher Bartlett and Sumantra Ghoshal, the two academics most associated with the fashionable concept of dispersed global "transnationals".

But the techniques he proposes for root-and-branch corporate redesign contrast with the academics' more gradualist approach, and with their less heavy emphasis on structural change. They focus more on altered procedures and attitudes.

Robson Rhodes caused something of a stir within the chartered accountancy profession recently when the firm announced that it was introducing performance-related pay from the top down.

One quarter of the practice's profits will be distributed to partners next summer according to their performance, and by this time next year the base pay of managers should be determined in large part by the quality of their work. By 1993, the principle is to be extended to everyone else in the firm: seniors, students and even support staff.

"Performance-related pay was not introduced in isolation," says Mel Smaje, human resources director. He talks about a change in values, management structures and systems, training, client satis-

When performance is the bottom line

Andrew Jack explains how a firm of chartered accountants is restructuring pay levels

action and accountability that is taking place throughout the firm. "I think it is very important to provide a reward system that supports these changes," he says.

In the past, he says, Robson Rhodes had a haphazard scheme by which a partner would judge employees against targets for chargeable hours. They were not assessed against criteria set at the start of the year, and the outcome focused more on how a person had done in relation to the firm's objectives rather than their own future personal development. "It was very vulnerable

to the blue-eyed boy syndrome," says Smaje. Some employees could be favoured but no one had a clear idea of how they could improve their performance.

The rate of inflation had also played a part in determining pay rises. But, says Smaje, "the cost of living has no relevance for us. Market forces drive us, and should determine our ability to attract and retain staff."

In future, managers and other employees will receive increases determined with the use of a matrix, which balances their current salary against the market rate for the

job and their performance rating.

For partners, performance determines their bonus rather than their entire earnings. However, where 10 per cent of profits was previously distributed at the managing partner's discretion, the new scheme will see 35 per cent handed out based on performance.

"Partners' and employees' performance is assessed using identical principles. The firm is drawing up a general set of "competencies" for each grade, split between "technical" factors - like knowledge and application of legislation, risk

assessment and commercial judgment - and "behavioural" factors, such as communication, expression and presentation, and marketing.

Job descriptions are also being drawn up for each individual, laying out specific "accountabilities" or tasks.

Then each year, a series of objectives or standards will be drawn up in consultation with the assessor. It is against these criteria, and the more general competencies, that the person will be rated.

The ratings are on a 5-point scale. Grades 3 to 5 are satisfactory; 2 is unsatisfactory and

requires a plan to upgrade performance within three months; while 1 means it is too early to decide. Each person is then given a single overall rating reflecting their marks.

"Because it's all new, there's a danger that we baffle people with science," says Smaje. "But it's not a science. It's still about judgment."

He has already introduced a series of "recognition payments" for staff as a taste of things to come.

Each year about 1 per cent of staff should receive a gold award, currently worth £1,500 in cash, for a "significant

achievement" such as winning a client. Another 5 per cent will receive silver medals, worth £500, for handling a specific problem well. Ten per cent will win the £150 bronze medals by, for example, arranging a good client event.

Smaje says it is too early to have received much feedback yet.

Many staff are not yet clear about how the system will work, but he says: "Generally I think people welcome systems in which reward matches contribution. There has been a strong body of support for the concept."

"You can't launch a scheme like this in one year," he adds. "It requires education, time and training. We won't get it right first time. I see this as a three-year programme, and I give it five years for it to become habit."

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LEGAL NOTICES

NO. 0013029 of 1991
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF HEYWOOD WILLIAMS GROUP PLC
IN THE MATTER OF THE COMPANIES ACT 1985

Notice is hereby given that a Petition was presented to His Majesty's High Court of Justice for the confirmation of the cancellation of the Share Premium Account of the above-named company.

And notice is further given that the said Petition is directed to be heard before the Honourable Mr. Justice Hoffmann at the Royal Courts of Justice, Strand, London WC2R 1AL on Monday the 16th day of December 1991. Any creditor or shareholder of the said company desiring to oppose the making of an order for the confirmation of the said cancellation of the Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undersigned Solicitors on payment of the regulated charge for the same.

Dated this 5th day of December 1991.

ASHURST MORPHEUS CRISP
Broadwater House
5 Appold Street
London EC2A 4HA

Solicitors for the said Company

SAVE & PROSPER
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TECHNOLOGY

Switched off by too many buttons and knobs

As electronic gadgets become more sophisticated, Emiko Terazono and Della Bradshaw examine the need for products that are simple to use

Many people must wish, as they dash through customs at the airport, that they had reserved their hire car before they set off. Instead they are faced with an interminable queue as car types, insurance cover and driving licences are scrutinised.

It was just such a scenario that persuaded Hertz, the vehicle rental company, that they needed to develop a computer-based system which customers could use to make reservations easier.

The results have prompted the UK's Department of Trade and Industry to publish the Hertz application as part of its "Usability Now!" project, intended to encourage UK companies to develop easy-to-use high-tech applications.

"The interface between the person using it and the machine has become a barrier rather than a communications channel," says Peter Rothwell, of the DTI. While you can sell technical ideas to the techies, he says, only business advantage would convince management.

Hertz decided to use computer terminals, installed in airport departure lounges, to enable customers to book cars before they boarded their flights. Instead of a keyboard,

Hertz wanted to use touch-screen technology, where the customer presses a spot on the screen to carry out a task.

So Hertz commissioned AIT, of Bouley-on-Thames, to build a reservation system with a brightly coloured screen containing pictures of a calendar, car types and credit cards, which appear in sequence. By touching one type of car, for example, that model can be reserved.

Beyond the simple graphics, there is a host of complex technology, says David Woodhead, technical manager at AIT. Once the information on the booking is obtained, it is sent over a phone line to Hertz's worldwide car reservation system in Oklahoma City, in the US. Once confirmed - less than six seconds later - a confirmation print-out is made.

Among the case studies which have attracted the DTI's approval are:

- The Bank of Scotland, which developed a document processing system.
- Forte Travelodge, for a room reservation system which all its staff could use.
- North West Thames Regional Health Authority, which developed an executive information system.

DB

Contrary to the popular image of the Japanese being machine whizzes, many people have problems operating electrical appliances. Japanese consumers have found themselves bewildered by complicated machines and computers in the work place and at home.

"My life was fine until the word processor came into it," says a grinning Japanese office worker in an advertisement for a new word processor made by Sanyo, the Japanese electronics company.

Japanese electronics makers are starting to acknowledge technophobic consumers as a new market. Sanyo's new word processor has a built-in instruction manual, which can be called up on to the screen, to give the confused user instructions step by step. "People are not using functions they do not understand," says Kuniko Makino, spokeswoman for Sanyo, adding that simpler functions on machines and user-friendly products are in demand.

In the past, the tendency for Japanese consumers to jump on products using new technology has prompted manufacturers to come up with multi-function electronic products with excessive knobs and elaborate designs. "In the US and



Europe, consumers have tended to stick to the basics," says Makino.

"Office appliances with lot of buttons and functions put off users," says Manzo Yoshikawa, head of product designs at Ricoh, the office appliance maker. Ricoh has come up with a multifunction copier which the user can pick a function by simply touching a display panel.

Matsushita, the electronics company, says that knobs on

appliances scare consumers.

"They think they might destroy it by pulling a knob off," says Hideo Mori of Matsushita's home appliance division.

One of Matsushita's user-friendly machines is a videorecorder with the minimum amount of buttons and has a built-in voice tape which will give instructions.

Mori adds that some consumers fail to use even the simple appliances properly,

because they do not think of its basic structure. "Some people do not completely understand what the hot steam of a steam iron is for," says Mori.

Matsushita recently started marketing a steam iron with an ironing board. It claims that it is not trying to make more money by adding the ironing board, but want consumers to use its iron properly. Mori says that hot steam, after going through the material, must be absorbed by a proper ironing

board. "Only 20 per cent who use the steam iron know that."

Last year, the electronics companies came out with "fuzzy" technology - electronic appliances which make the fine adjustments which previous machines could not do - as an answer for people who do not want to think about housework. "Even for the ordinary housewife, housework has become a tedious chore and no one wants to think about it," says Mori.

In addition, most Japanese have always had high expectations of machines, as opposed to westerners, who think that machines cannot do everything, and can accept machines breaking down or making mistakes.

"Fuzzy" electronic appliances such as washing machines, vacuum cleaners and rice cookers, which "even the husband can use," have since flooded the market.

High-technology means higher value added and faster profits. This year, electronic companies have co-opted "fuzzy" technology, adding neural technology, designed to simulate human learning patterns, thus increasing the amount of information crammed into the appliances.

For example, with a push of one button, Matsushita's "fuzzy" washing machine assesses the amount of laundry, level of dirt and type of detergent, and chooses from 600 different washing cycles. The new "fuzzy and neuro" type chooses from 2,800 cycles.

However, while Japanese electronics makers are cashing in on machine-shy consumers, some companies are finding dealing with such customers costly. Banks, which have started to operate cash dispensers on weekends, complain that they need a security company to watch over its bank branches for machine problems rather than crime.

"Some people do some unbelievable things," says one commercial bank official. He says that there are frequent cases where customers put bent cash cards into the cash dispenser, try to put in coins where only paper money is accepted or simply cannot understand how to work the machine.

For the middle-aged television viewer, the video recorder has become an infuriating symbol of all that is wrong with consumer gadgets: the machine has so many knobs, switches and displays that the cognitive demands of a mathematician seem to be needed to coax it into recording the correct programme.

The task of designing a consumer product - or a scientific instrument, item of mechanical machinery or office product - to make it easy to operate has become increasingly difficult as the function of the gadgets increases.

So, using Apple Macintosh computers and off-the-shelf software, Cambridge Consultants, the Cambridge-based research company, has developed a way of helping companies simplify the interface between gadget and user.

It has devised a way of manipulating a picture of the object to be tested on screen. By using the touch-screen or moving the computer mouse, buttons on the "gadget" can be pressed or dials turned. When this happens a real machine which is connected to the Apple - a car radio, say - will carry out the instructions, such as lowering the volume.

By trying out a number of ways of performing the task, the researchers can find the most convenient at the design stage. "You can make all your mistakes early on before making your products," says Stephen Rason, product designer at Cambridge Consultants.

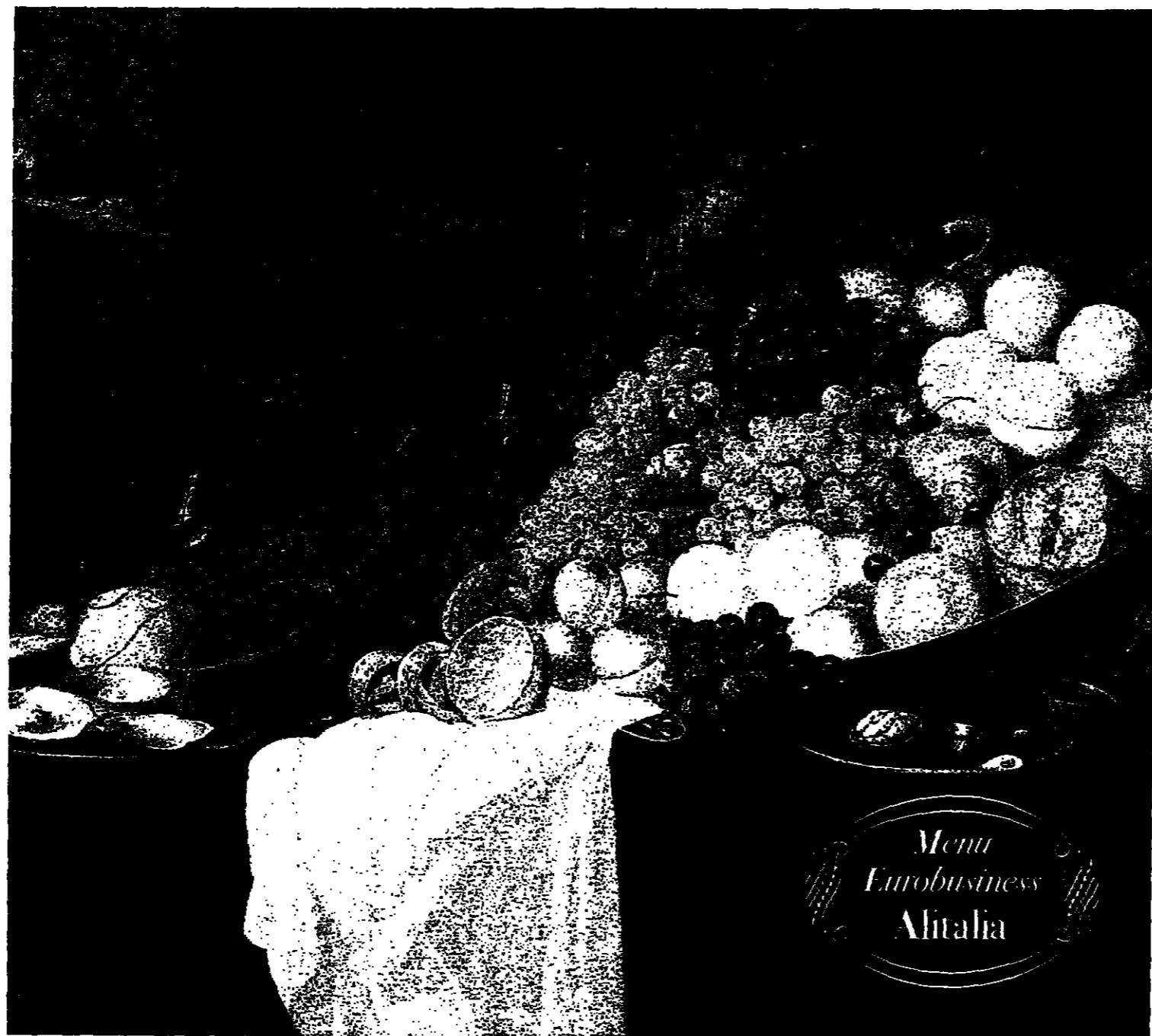
Rason points out that it is the ease of use at a cognitive level - the process that have to be followed - rather than how difficult the buttons are to press, which is the function of the design service.

Nor, he says, is it the simplest means of operation that users will find the most attractive. "Ease of use does not necessarily mean that it has to be simple enough for a three-year-old," he says. "You have to get the right combination of simplicity and convenience."

Although most interest has been shown in the technique by large companies, Rason believes small companies, without their own ergonomic design teams, will also benefit.

ET

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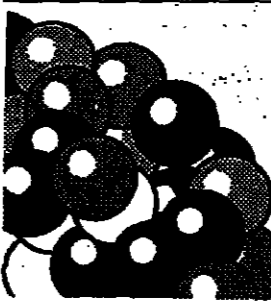
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WORTH WATCHING

Della Bradshaw

NTT becomes a real operator

JAPAN'S domestic phone company Nippon Telegraph and Telephone (NTT) has moved into the operating systems business in an attempt to reduce its maintenance and software development costs.

A prototype version of Iros (interface for real-time operating systems) has now been released, and NTT is looking for input from equipment suppliers before releasing Version 1, which should be available by the end of 1992.

Iros is intended to be used for communications systems, in particular "real-time" and transaction processing applications. Particularly close to NTT's heart is its plans to introduce broadband ISDN (integrated services digital network), which will use switching and computer systems, and transmission equipment, from a variety of suppliers. Today many of these systems have mutually incompatible architectures.

In January this year NTT, one of the world's biggest purchasers of electronic equipment, announced that all its suppliers would, in future, have to adopt its standards to ensure compatibility.

Wearing a heart on your sleeve

A WRISTWATCH style monitoring device is now available in the US to help those suffering from intermittent heart palpitations, chest pains or dizziness to record their symptoms.

The WristRecorder, which has just received FDA approval, produces an electrocardiogram of the patient from the onset of an attack. The electronic device can record single or multiple attacks for up to four and a half minutes.

To use the monitor the patient touches electrodes on each side of the WristRecorder until the symptoms pass. A third electrode on

the back of the "watch" completes the electrical circuit. Once recorded, the ECG can be transmitted over the phone line to a doctor's surgery, or stored until the next visit.

Manufacturers of the WristRecorder, Rahn Medical, of Dea Plaines, Illinois, believe the device could replace the bulky equipment used today for heart monitoring.

Computer now takes pictures

A PHOTOGRAPH album which can be stored on a personal computer should help businesses as varied as model agencies and car showrooms to sell their wares.

Using an ordinary PC and a camcorder or still video camera (such as the Canon Ixus camera) Digiburst, of Roydon, Hertfordshire, has developed a system which allows businesses to transfer digital images from the camera to the screen. The cost of the PictureBook software and the MicroEye computer card needed to complete the task is just under £300.

When the picture is stored in the PC it can be annotated, and the information later used for retrieving pictures from the database. In the case of a model agency, for example, photos of male models with dark hair over six feet tall could be pulled out of the system using this kind of index.

Plastic moulding is on the level

A VEGETABLE oil-based plastic, developed in Canada, could soon provide the answer to the tricky construction problems found in houses and boats.

The material, developed by Accuflex, of North Vancouver, is made from a mix of common vegetable oil and gypsum. It is non-toxic - inventor Peter Rossen even claims to have eaten some of it to demonstrate its waterproof and flexible.

At the moment the material is being sold in Canada as structural mouldings, in particular for cornices or trimmings which need to follow bends - a curved shape most plastic mouldings, it can be painted very easily.

Because the material sticks to cement, wood or even panes of glass, Accuflex believes it could be used successfully to level out the decks of boats - where the liquid material could be poured across the surface.

Contacts: NTT: Japan, 03 328 2661. Rahn Medical: US, 708 267 2910. Digiburst: UK, 0793 24225. Accuflex: Canada, 604 458 0224.

مكتبة الأصيل

Bus merger escapes investigation

INVEST ELECTRIC

ARTS

Henze at 35 and 55

QUEEN ELIZABETH HALL

Hans Werner Henze is having a good 60th birthday-year - not least in London, what with the BBC's Barbican festival last January, and now the London Sinfonietta's three-programme tribute. The composer looked very pleased with Wednesday's performances (the second of the concerts: the last is next Wednesday), as plainly the audience was. The Sinfonietta has long had a plausible claim to be the best contemporary-specialist band in the world, and with their Chorus in its present form (under Terry Edwards) they must surely count as the best band-cum-chorus of that ilk. So they sounded here, in Henze's Giordano Bruno cantata from 1961-2, *Novae de Infinito Laudes*.

Added to these incisive performances were four soloists of no less than conviction, and starting pitch: Sally Hirston (Henze's *English Cat* at the Guildhall in January) and Hilary Summers' penetrating contralto, Neil Jenkins and Roman Trekel. The perspective of the music, which shifts between rapid individual narration and like, urgent work, was kept in just focus from end to end. Bruno - a Renaissance visionary, heretic and martyr for his Protestantism - has recently been in the news, again, accused of serving as a spy for Walsingham during his London years: it was comforting to hear again Henze's settings of his fervently "scientific" pamphlet revelations.

The many ingenuities of Henze's second concert, using pairs of (small) lutes and (large) harps as a kind of continuo, and discreet amplification here made them tell subtly. But the conductor Elgar Howarth, replacing Markus Stenz at short notice, ensured that everything told it was all crisp, assured, up-front, bright as a button. Exciting to hear and absorbing to follow, it left just a faint regret that the most elevated moments in the score were rather too energetic to float free. In those places, the cool "air from other planets blowing" was tricky dispersed. Something similar happened - but again, it was no more than a matter of nuance - with Henze's 1981 fantasy after Jean Genet, *Le Miracle de la Rose*. The solo characters were Michael Collins, fanatical in eloquence in that best-of-British way that disciplines any intrusion by the performer himself. The rest of the score, for 13 instruments, is laden with twirling and suggestive detail: well it might be, since it transcribes musically Genet's celebrated images of how his favourite teenage murderer came to execution. As Howarth made us hear, it does that with the liveliest compositional resource (and probably a scenario more densely imagined than Henze's public sketch in the programme-note).

All that one missed was a certain sense of theatre - of a play of suspended breaths, elusive feints, flashes of naked feeling. Howarth's reading was more straightforward than that. It wasn't that he ignored some particular subtlety, but that there were few hints that this music might have a subtext. Talking about a theatre-piece, that would be a perfectly understandable quibble; and *Le Miracle de la Rose* is after all subtitled "Imaginary Theatre II".

David Murray



Vivian Tierney and Donald Maxwell

Die Fledermaus

COLISEUM

There are few things more distressing than the spectacle of admired artists and companies falling flat on their faces. For the festive season English National Opera have mounted a new *Fledermaus* that is hyper-active, hyper-inventive and a thunderous bore; some of the most talented people in British opera are involved, which makes the failure that much more embarrassing. One could weep at the waste of effort, the immense sense of misguided ingenuity that went into making it such an elaborate flop.

In this theatre it is, in fact, not unprecedented. This *Fledermaus*, in common with the wretched 1985 ENO *Orpheus* in the *Underworld*, appears rooted in the belief that in opera the make-or-break factor is design, not close, fresh observation of the characters, the comedy and the social satire coupled with elegant, stylish musical execution. The 1985 *Orpheus* was undone by Gerald Scarfe's shrieking self-advertising designs; the case of this new *Fledermaus*, produced by Richard Jones and designed by Nigel Lowery, is dismayingly similar.

Earlier in the year Jones was responsible for *Mozzarella* at the Brezgen Festival and the Scottish Opera *Walküre*, two of the richest, most exhilarating and most original productions in modern opera. Between those eye-openers and this eye-shutter there are shared family features: a surreal reinvention of theatrical time and space, a use of brightly-coloured flying cloths and props, subversively placed to reveal a new world of lyric-theatre fantasy.

By current "authentic" standards Mr Tate's Mozart can seem old-fashioned: unburied, placid in its approach to phrasing and accent, full rather than lean in texture, never driven by surprising dramatic currents. The ECO and the clarinetist Theo King (ever so slightly under form) gave under his baton a gentle, lovingly euphonious account of the concerto.

There was more urgency in the Requiem: the bright attack and vital articulation of the excellent Tallis Chamber Choir encouraged that, and so did the well-blended singing of a fine quartet of soloists led by Joan Rodgers. It was not an unforgettable Requiem; but in the circumstances, the sanity and soundness of the music-making proved a constant tonic.

Max Loppert

Mozart

BARBICAN HALL

He died early on December 5, 1791 - at one o'clock in the morning local time, to be precise. In all the world's concert halls his music was being heard, last night and tonight, and probably tomorrow night and the night after as well. The last work, the Requiem, has proved a special favourite for giving audiences that You-Are-There frisson: three sell-out performances in London alone on Wednesday night (two at the usual concert-giving evening hour, at the Barbican and St John's, and one at midnight at St Paul's), and more, many more still to come.

It is possible to account for this centennial Mozart-mania? Is it a Good Thing, a natural phenomenon; or has it been artificially created, through persistent hype of the most vulgar kind, to sell concert and opera tickets, videos and CDs? How is it that a work like the Requiem, an item of the concert repertoire that can be heard any week of any year in any case, should just have had people queuing for returns in a line that stretched almost out of the Barbican doorway? Is this massive concentration on the creation of a single composer something to be alarmed, or disapproving, or happy about - or a mixture of all three?

These are some of the questions that have been playing even the most passionate of Mozartians this year; and, like everything else,

The difference is that here the balance between production device and plot seems to have gone wildly out of true. In the Jones-Lowery *Fledermaus* the visual jokes come thick and fast, from the opening prelude (with feet and hands protruding through the front-curtain in time to the music) to the last note of the prison-scene. They're never less than fertile visual jokes, drawing on a wide range of references (cinema architecture and iconography, the nightclub sub-culture, 1940s and '50s Gene Kelly musicals, the J. Arthur Rank brand of fake suburban glamour, 1970s Viennese kitsch), and chock-full of the Jones quirks, wonky perspectives, pan-tomime pratfalls, japes and bizzarries that have elsewhere given so much delight.

One laughs - how could one not? Soon, though, one witnesses the style becoming an end in itself, suffocating the music, reducing the libretto to a marginal distraction. There seems an unstated theme to the production: the plot is a load of trash, and the bestowal thereon of Jones's free-flying fantasy a huge favour. But is it? The original offers a keen-eyed, clear-eyed look at characters at the shady end of "good society". The ENO production team end up by dulling the edge of topical satire, and clouding the clarity of character observation - this happens no less completely, indeed, than in those all too familiarly plush, comfy old-fashioned *Fledermaus* shows of the past.

They reached the point of maximum insistence last night. My guess, though, is that the answers will emerge only as the dust of the 1991 Mozart bonanza begins to settle. The most pleasing feature of the Mozart concert I chose last night - at the Barbican, by the English Chamber Orchestra under Jeffrey Tate - was that there seemed no attempt at providing "global" answers, or importing into the performances of the Clarinet Concerto and the Requiem (in the Sussmayer completion) a sense of egregiously Special Event atmosphere.

Max Loppert

Sian Edwards to be new ENO music director

Sian Edwards is to be the new music director at the English National Opera. She takes over from Mark Elder in August 1993. The appointment of Ms Edwards puts in place the main protagonists who will take the Coliseum through the 1990s. Recently Dennis Manning, currently Head of Music and Dance at BBC Television, was chosen to succeed Peter Jonas as general director of the ENO from July 1993.

Ms Edwards, 31, is the first woman to hold such a prominent position in a British opera company. Some will consider her lacking in experience, but she conducted a well received performance of Tippett's *The Knot Garden* at Covent Garden in 1988 and will conduct *The Marriage of Figaro* there later this season. However, she has only worked once at the Coliseum, conducting Prokofiev's *The Gambler* last year. Taken with Marks inexperience at running an opera house the ENO is obviously gambling on fresh ideas and enthusiasm. A.T.

Hanging through the ages

The last two decades have seen a boom in museum building in the US, Japan and the Continent. There has been controversy over the architecture of new galleries and gallery extensions, and debate about what should be acquired and how it should be presented. We have seen experiments in deframing, delabelling, and pictures removed from the wall and put back on the easel. Hanging pictures chronologically according to school has on occasion given way to cluttered period arrangements, or to the thematic hangs of the New Art History.

Great such turmoil it seems surprising that Giles Waterfield's new exhibition at the Dulwich Picture Gallery, *Palaces of Art*, is the first to take a 200-year historical overview of art galleries in Britain. Given that each of the institutions involved (Dulwich, The National Gallery of Scotland, Glasgow Museum of Modern Art, the Tate, the Victoria and Albert Museum, the British Museum, the Royal Academy, one sat numbered by awareness of all that was going missing in the experience. The opening performance was very far from tidily achieved, with any number of fumbled tricks and missed cues; once cast and conductor manage to put across a less fraught account of their roles, a more cogent case may be made for the production.

On this evidence Adam Fischer is a no less soggy Strauss than when he conducted the work for the Royal Opera, three years ago. Almost alone among the cast Vivian Tierney scores through wit - her oh-so-rehearsed Rosalinda from Metroland suggests a whole world of deliciously genteel English duplicity that might fruitfully have been developed elsewhere - and through warmth of timbre. Donald Maxwell's Eisenstein is only a shadow of what might have been, ditto Anthony Mees's Alfred (easily and ringingly sung), Nicholas Foulwell's Falke and Andrew Shore's Frank - these men are all natural stage comics, and their talents have been ill-served. Lesley Garrett's Adele is, alas, all too "present", brassy to the last degree, constantly on the edge of vocal mishap. The addition to the cast of Penelope Widdling, along with the cabaret star Rose English and the actor Matthew Scurlfield, is a humiliating waste. It sums up all that is awry in the enterprise.

Max Loppert

As You Like It

LYRIC, HAMMERSMITH

Cheek by Jowl's all-male performance of *As You Like It* is the best modern-dress performance of Shakespeare that I have seen. The secret of Declan Donnellan's direction is that he allows time for the play to develop. The dress is understated: dinner jackets in town and more rustic, though still up-market, garb in the country. There are very few props to get in the way. As for the all-male cast, that is how it was done in the first place.

As *You Like It* does not conform to the more obvious Shakespeare categories. As a comedy, it is seldom hilariously funny. It is not a tragedy-comedy either, since it was written too early to contain some of the later bitterness. Although there are splashes of Shakespeare's other works dropped all over it, and it fore-shadows *The Tempest* that was to come, the play stands apart. "Pastoral" is the word usually applied to it. That suggests a touch of melancholy, but also of calm. Those words will do very well for the Cheek by Jowl production, though I would add a sense of happiness. This is essentially a joyous production. As *You Like It* has far more prose than most Shakespeare plays; it has far more music than any of them. And it is in the songs that the produc-

tion of France - the Grande Galerie of the Louvre - with the "National Gallery of England", John Julius Angerstein's modest house at No. 100 Pall Mall which contained the 38 paintings bought for the nation as late as 1849 as a nucleus of a national collection.

The last 30 years of the 19th century were the great years of museum attendance, when the Sheffield, Birmingham and Liverpool galleries drew hundreds of thousands each year to see contemporary British art. In 18th century depictions

After the diversity of the oils, watercolours, wall coverings, plans and guidebooks, the third gallery of the show, devoted to post-war museums, seems almost an afterthought, pared down to uniform black and white photographs set against uncompromising white walls. While the new work might not be shown to its best advantage, there is no doubt that this has been a poor period for museum architecture in Britain in terms of quality and quantity. The spectacularly successful Burrell in Glasgow and the Sainsbury Centre in Norwich are the only redeeming highlights.

This has once again been a period of compromise, of extensions rather than new galleries and of the re-use of historic buildings. The new Courtauld Galleries in Somerset House is a tragic instance of how the new - and laudable - respect for historic buildings has succeeded in diminishing one of the most outstanding collections in Britain.

This survey presents the bones of an absorbing subject which this Waterfield will flesh out in book form in due course. (In the meantime, an informative catalogue accompanies the show, price £12. *Palaces of Art: Art Galleries in Britain 1790-1990* continues at Dulwich Picture Gallery, until March 1, and shows at the National Gallery of Scotland, March 12-May 3.



Patrick Toomey and Adrian Lester

Take, for example, the singing of "A Lover and his Lass" where almost the whole team comes together, musical instruments, beautiful voices and all. The singing is a delight throughout the evening: not only "Under the Greenwood Tree", but "Blow, Blow thou Winter Wind" as well. Oddly enough, the "ingratitude" referred to in the latter song is not a prominent feature in the play. There may be bad things done in the court, but the Forest of Arden is basically a happy place.

None of the characters are deeply developed: that is part of the charm. Here not even the melancholy Jacques, played by Richard Henderson, stands out above the rest. His lines on the seven ages of man are just another part of the show: a song in prose. But that is because there is so much competition. Several of the smaller parts are outstanding.

Malcolm Rutherford

INTERNATIONAL ARTS PREVIEW & EXHIBITIONS

The London theatre season continues to offer a rich selection of premieres, with the National Theatre leading the way this month. Its latest project, opening next Thurs at the Lyttelton) is a revival of Edward Bond's *The Sea*, a modern classic dealing with the grieving for a lost sailor within the context of social comedy. Sam Mendes directs a cast led by Ken Stott and Judi Dench.

Declan Donnellan. First performed in San Francisco in May this year, it focuses on two American couples in crisis, one gay and one Mormon. At the Lyttelton later in January, Richard Eyre directs the Tennessee Williams play, which throws a motley group of characters together at a hotel on the edge of the Mexican jungle in 1940. Eileen Atkins plays the enigmatic Hannah.

Two plays by Irish authors arrive in London in the New Year. Tom Murphy's *The Gigli Concert*, hailed as one of the great Irish plays of the century when it opened in Dublin in 1983, receives its British premiere at the Almeida in the first week of January. The play delicately balances wild comedy and spiralling desperation, exploring the relationship between an English quack psychologist living in Dublin and his Irish millionaire client who longs to sing like the great Italian tenor Gigli. Karel Relsz directs a cast led by Barry Foster and Tony Doyle.

The Royal Court's next play is Faith Healer by Brian Friel (opening on Jan 24). Like *Dancing at Lughnass*, Friel's major success last season, Faith Healer will be an Abbey Theatre Dublin production, with a cast including Sinead Cusack, Ron Cook and Donald McCann, directed by Joe Dowling.

Also on the horizon are two plays by American authors - Tony Kushner's *Angels in America* and Tennessee Williams' *The Night of the Iguana* (1961). Kushner's play will receive its British premiere at the Cottesloe in mid-January, in a production by

visits to Paris between 1885 and 1908. Ends Jan 5. Closed Mon, late closing Thurs. *Albertina Hilma Al Klint* (1862-1944): retrospective of the Swedish abstract artist, with more than 70 paintings giving insight into religious and philosophical movements at the turn of the century. Ends Feb 2. Daily. *Kunstindustrimuseet Museum The Ancient World on Greek Vases*: a selection of painted vases from around 1000 BC, illustrating daily life, festivals and religious observance in ancient Greece. Ends Jan 18. Closed Mon. *WASHINGTON National Portrait Gallery* Time covers the War: Personalities from World War 2. An exhibition commemorating the 50th anniversary of the Japanese attack on Pearl Harbour. Also Collecting Portrait Prints: Washington Print Club Biennial. Prints from the 15th to 20th centuries covering a wide variety of subjects, from Louis XII to Richard Nixon. Ends May 17. Daily. *National Gallery of Art Walker Evans*: classic documentation of American life during the Depression, including New York subway photographs. Ends March 1. Also Albert Bierstadt: the most comprehensive collection of work ever assembled of the epic American landscape painter of the 19th century. Ends Feb 17. Also *Circa 1492: Art in the Age of Exploration*. Ends Jan 12. Daily. *Remick Gallery Albert Paley*: Sculptural Adornment. Ends March 22. Also *Improvisation in African-American Quilting*. Ends Jan 5. Daily.

Amsterdam and London, including Jerusalem, A Woman Bathing and two self-portraits. The exhibition capitalises on the latest developments in Rembrandt research and attribution. Ends March 1. A companion exhibition of 40 drawings by Rembrandt and his pupils, plus 40 etchings, ends on Jan 15. Closed Mon. *Stedelijk Museum Wandelier*: A Journey through the New Europe. Eleven artists give their pictorial response to the sweeping political changes in Europe and the new socio-cultural perspectives which have opened up for the visual arts. Ends Feb 9. Daily. *BASLE Museum für Gegenwartskunst* Francesco Clemente: Testacoda. A series of paintings in which the 39-year old Neapolitan artist focuses on the human head and body. Also Martin Disler: seven large-scale paintings. Ends March 2. Closed Tues. *BERLIN Nationalgalerie Otto Dix*: a major retrospective marking the centenary of one of the towering figures of 20th century German art, renowned for the bitter realism of his portraits, brothel scenes and visions of war. Ends Feb 4. Closed Mon and Tues. *Pergamonmuseum Miniatures of the Berlin Baisongur*. Manuscript: illuminated pages dating from 1420, commissioned by the family of the Afghan Prince Baisongur. Ends Jan 19. Closed Mon and Tues. *FRANKFURT Schirn Kunsthalle Guercino*: an

EXHIBITIONS GUIDE

AMSTERDAM *Stedelijk Museum* Rembrandt: a major exhibition bringing together paintings from museums in Berlin,

Friday December 6 1991

Battle over currencies

AS EXPECTED, the Bundesbank gave the European economy a breathing space and even increased its targets for the next year's growth in money supply. Yet Sweden's central bank was obliged to increase its short-term lending rate by six percentage points, to 17.5 per cent. Sweden's situation is unique. But the challenge of preserving exchange rate stability in Europe is not.

The Bundesbank's concerns about the German economy are well known. But so is its political acumen. The moment when the German government has to insist on a set of tough conditions for economic and monetary union is not the time to make German monetary policy still more unpopular. But it is looking increasingly a question of when the Bundesbank will become more unpopular, not whether.

The Bundesbank's forbearance means little to Sweden. Following the effective 12.5 per cent devaluation of the Finnish markka last month, the Swedish krona had come under huge pressure. Sweden could choose either to devalue or to fight. It chose the latter course and has shown courage in the weight of artillery it has committed to the battle. With luck, interest rates this high will convince the markets of the seriousness of the commitment. But they could convince them, instead, of the untenability of its position.

Swedish case

Sweden is a special case. Not only is there the contagion from Finland, but the krona has already depreciated by a third against the D-Mark since 1980. Those depreciations reflected Sweden's attachment to full employment and its toleration of high rates of inflation, at least by German standards. The commitment of the new minority centre-right coalition government of Mr Carl Bildt to exchange rate stability lacks credibility and is now being tested. The government has decided that it must meet the test, whatever the cost.

The battle facing Sweden is exceptional. But it is far from the only vulnerable currency. Investors are fleeing to quality. Strong currencies, notably the

D-Mark, have regained what most would regard as their natural positions. Measured by the so-called "divergence indicator" the D-Mark and the immediate satellites - the Belgian franc and the Dutch guilder - have strengthened since the summer. The French franc has maintained its, admittedly weak, ground. Meanwhile, higher yielding currencies, like the Italian lira, the pound sterling and the Italian lira, have been weakening. Were recent trends to continue, pressure would be put on a number of important currencies. Such pressure would be augmented by any increase in German interest rates.

Following suit

The reasons for the weakness of the traditionally weak currencies are not far to seek. Many investors ask themselves whether it will be politically possible for other countries to follow the Bundesbank's suit. Furthermore, three-month interest rate differentials vis a vis the D-Mark are only half a percentage point for the French franc, 14 percentage points for sterling and three percentage points for the Spanish peseta and the Italian lira. It would not take much of a realignment to wipe out any gain they provide.

Equally important are the longer-term worries created by ERM. The criteria are tough, while recent progress towards convergence has been modest. Some must doubt whether the conditions will be met. Others will ask themselves which countries will be able to join. All know that one of the conditions is likely to be that a participating currency should not be revalued two years before entry into ERM.

Worries abound. Are currencies going to enter ERM at present central rates and, if not, will they seek realignment? Will governments be prepared to follow the tough policies required for convergence? Are some important currencies to be left dangling in the currency market breeze for many, many years? Many have argued that if ERM were to be done, "twice better done quickly". The pressures of the next few years may confirm their fears.

Challenge from the far right

If - as is often held to be the case - economic growth provides the most effective antidote to the rise of extremism, then the current upsurge of the ultra-right across Europe should never have occurred. In western Europe, the last three years have seen the highest rates of economic expansion for a decade. Yet they have also coincided with gains in support for the far-right on a scale which has become an important challenge for established parties in half a dozen countries.

Britain has so far been an exception, partly because of proportional representation in most of the rest of Europe gives greater political clout to smaller parties, partly because of the extraordinarily weak credibility of the National Front after its leadership crisis in 1981. Nonetheless, this week's visit to Britain by Mr Jean-Marie Le Pen, leader of the French National Front, has highlighted the extreme right's efforts to foster groupings spanning the continent. It is now time for a rational debate on the aspirations of this unpleasant part of the political spectrum, and on the reasons for its advances.

Simple measures

Although straightforward law-and-order measures should be used to combat any extremist violence or incitement to violence, the one sure way of increasing right-wingers' allure is to brand all who vote for them as fascists. Unless the mainstream parties take seriously the support for extremism shown by voters from Brussels to Brescia, from Marseilles to Munich, the discussion will still further out of the hands of respectable politicians. When Europe is preparing to progress down the road towards much greater economic and political integration, this would be a grave setback. Nothing could be in greater contrast to the spirit of European unity than for a growing proportion of European voters to cling with die-hard tenacity to the inward-looking politics of far-right nationalism.

From the voters' point of view, the popularity of Le Pen-like figures has had a touch of desperation about it -

reflecting the natural proclivity of dissatisfied citizens to turn to the protest vote at a time of social and economic upheaval. Many voters on low or fixed incomes have cast their votes for the right-wing fringe out of concern that they have been left behind while others have been prospering in Europe's get-rich societies. More potent than long-term unemployment, pressure on housing and social security has added to the radicals' appeal.

Immigration fears

Fear of uncontrolled immigration has been a central theme in both east and west Germany, where racial intolerance has led to many shameful attacks against foreigners in recent months. This year's record number of asylum-seekers has now become a great preoccupation not only among politicians but also for many traditional Social Democrats. The most significant common factor behind the rightwards swing has, however, been growing belief that many mainstream parties are impotent, out of touch, and, in at least some cases, corrupt, as well. In France, Germany, the Netherlands, Belgium and Austria - the principal countries where the ultra-right have been making the headlines - disenchantment with the parties in power has been combined with a belief that the mainstream opposition offers few genuine alternatives.

One comfort is that west Germany's flirtation with neo-Nazis during the 1960s, like Britain's flirtation with the National Front in the 1970s, shows that the ultra-right can survive as swiftly as it grows.

However, mainstream politicians should not assume the problem will simply go away. Among the useful catalysts might be harmonisation of realistic asylum policies, to defuse demagogues' claims that any one country is shouldering an unfair burden. More attention to social issues, like housing, which affect poorer people, would also help. But above all, politicians should resist entrapment in a professional career: the arguments of the right must be tackled in a language and style capable of steering voters away from solutions of dangerous simplicity.

The defenders of the Ruhr have warned for 30 years and more: "If the Ruhr burns, there will not be enough water flowing down the Rhine towards Bonn to douse the flames." Water, in the event, has not been needed. Money has been needed. Money by the bucketful has served perfectly well to damp down the fires of resentment which have smouldered and occasionally flared in the so-called "coal hole" of Germany during the running down of its traditional mining and steel industries.

Federal and state subsidies have been poured in. Even now, as Mr Jürgen Möllemann, economics minister, never tires of repeating, each coal job is subsidised with DM76,000 a year. Mining alone absorbs DM1.1bn of aid a year. But restructuring aids for steel have already run out, and Bonn, harried by the European Commission's competition authorities, has drawn the line under coal hand-outs.

Since the early 1980s, mining has lost almost 80 per cent of its 500,000 jobs; 100,000 in the past decade. In the past 25 years steel has shed more than 40 per cent - most during the international steel crisis of the 1980s - reducing the workforce to about 120,000.

And now here comes another round: at least 30,000 mining employees will be cut within the next 10 years, along with an estimated 40,000 more in ancillary industries; Thyssen is to shed 2,000 steel men in Duisburg next year, while Austria's Voest-Alpine threatens 800 with the "reorganisation" of its special steels operations in Germany.

More seems certain to follow in the renewed restructuring of steel. Armed with 24.9 per cent of its target stock, the steel and engineering group Krupp is bobbing and weaving around merger-shy Hochtief while at the same time talking "co-operation" with Thyssen's special steels division.

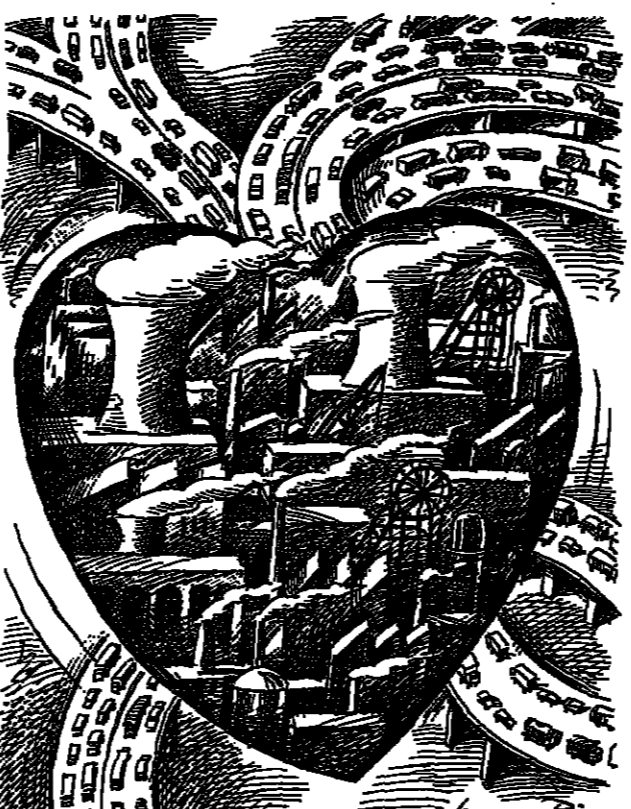
The heavy industry workers of the Ruhr have hard heads beneath their hard hats. They know what words like merger, co-operation and reorganisation mean. They learnt in the 1980s as Germany shut down 20m tonnes of steel capacity, more than half the total closed by the whole of the European Community industry in the last great shake-out.

The consensus now is that while capacity cuts are unlikely, a tie-up between Thyssen and Hochtief and subsequent rationalisation will endanger the livelihood of at least 10,000 people. Accordingly, some 20,000 "Roeschians" gathered in Dortmund recently to boo their boss, Mr Kajo Neukirchen, while he tried to explain that the thought of merger never entered his mind when he started collaboration talks with Krupp in the summer.

The Ruhr miners' and steelworkers' protests have traditionally been well-attended, spirited and noisy. But there has been none of the blood-letting and few of the tears seen during the British miners' last stand against market forces in the strike and 1984-5.

Wholesale sectoral restructuring in other countries has left communities unbalanced by large-scale unemployment, dispirited and depopulated, drained of brainpower. North-Rhine Westphalia, home to 17m of the former federal

Christopher Parkes on the Ruhr, Germany's heavy industrial centre Dying heart still beats



republic's 62m people, and home state of the 5m people clustered in the Ruhrgebiet, has lived for years with unemployment rates high by German standards - about two percentage points above the national average - and with Ruhr hot-spots even now above 12 per cent compared with less than 6 per cent overall. And yet what local headline writers persist in calling "the dying heart" of Germany has so far demonstrated a curious reluctance to stop beating.

If anything, it is working faster and to a new rhythm. A quarter of the 47,000 new companies registered in Germany during the first half of this year were set up in North-Rhine Westphalia, and about 130,000 jobs are currently being created annually. Many are in new or formerly under-represented sectors. At the end of last year, for example, 3m people - 51 per cent of all employees - were working in service industries, compared with 46 per cent in 1985. Electronics and electrical manufacturing, popularly believed to be the domain of the high-tech south, gained almost 7,000 jobs last year and now employs almost 450,000. Inside the Ruhr less than 30 per cent of jobs are dependent on iron and steel compared with 60 per cent at its post-war peak.

The stripping down of mining and steel has also exposed underlying muscle: a third of

Germany's much-admired Mittelstand of medium-sized companies is based in the state. Once believed doomed as the "traditional" industries on which they largely depend were whittled away, they have proved flexible and innovative enough to find new products and markets to suit their skills in engineering and logistics. The German growth industry of the moment, food processing, provides more than 100,000 jobs in 800 companies, and local engineers make the machinery they need. A third of all German textiles come from the area, and the state still produces a third of all German exports.

But the erosion of the traditional Ruhr industries has also exposed weaknesses in the local economy. Annual growth rates in all commercial sectors in North-Rhine Westphalia have consistently lagged behind the former federal republic average. Wages have been consistently higher. Personnel costs in mining amount to some 44 per cent of gross product value, compared with 25 per cent in manufacturing industry. In steel, labour costs of DM69 a tonne far outstrip those of competing France (DM38) and Britain (DM32). Women, paid relatively low wages, are preferred to men in developing sectors such as retailing, food and textiles. Assessing the single greatest strength of the Ruhr and its

home state takes little more than a glance at the map: 40 per cent of all the consumers in the European Community (the richest, at that), live just one day's journey away along some of the best communications networks in the world.

But strong as the geographical and infrastructural foundations are, questions are cropping up about the ability of the new industries built on them to withstand the new wave of pressures.

The flurry of refreshed and new economic activity which anticipated and accompanied unification is petering out. German investment in the east is stalled by disputes over land and property ownership and indecision at every level over who is responsible for the former DDR's burdens of commercial debt and environmental devastation. And there is no sign of overseas markets providing a stimulus to keep the motor running at full power. There is top-level talk of recession in the heart of the European economy, of which the Ruhr is only a part. And the Ruhr is once again buzzing with inflammatory talk.

"There are young people among us who are willing to use violence," one prominent labour leader said recently. But the region, once a hotbed of the years been merged irretrievably into the new German landscape. The money which poured in from Bonn, the state capital Düsseldorf, and from industry has eased personal hardship, soothed incendiary tendencies, and also softened the Ruhr's hard edges.

There are now 50 universities in North-Rhine Westphalia, nurturing almost 300,000 students, 14 technology centres, and the Max-Planck Institute has 11 centres. Smoky little Bochum has its own symphony orchestra. Three-quarters of the state, much retrieved from slag heaps and industrial wasteland, is under crops or forest, and 10m trips are made to sightsee and shop every year.

The restructuring is continuing. Even as Bonn withdraws its support, Germany's leading companies, many of which have their roots in and around the region, have stepped in to fill the gap. The Initiativeskreis Ruhrgebiet, representing 52 groups and headed by Mr Hilmar Kopper, head of the Deutsche Bank, and Mr Friedrich Glucke, boss of RWE, one of the biggest conglomerates in the country, was set up in 1989 specifically for this purpose, and last month it announced that its programme, due to end in 1993, would continue until 1996.

Its members have already invested DM55m in the Ruhr's industrial and infrastructure. Another DM4.5bn is committed, and DM12bn is earmarked for the next five years of the programme. Bonn now must divert its resources to the industrial and social catastrophe looming over its five new component states. Next year alone some DM170bn, more than 6 per cent of the west's gross national product, will be mobilised for fire-fighting in the former DDR. The tribulations of the Ruhr are fading into relative insignificance, and, along with its tradition of monumental heavy industry, are being pushed rapidly into history.

Notice served on networks

John Griffiths and Andrew Hill on an EC car industry ruling

Sir Leon Brittan, the EC competition commissioner, this week served notice on European car makers that they have to fight to retain their networks of exclusively franchised dealerships through which cars traditionally have been sold in Europe.

Sir Leon on Wednesday upheld the right of "intermediary" companies - operating outside the franchised networks - to import cars on behalf of individual customers across EC member state boundaries. In so doing, he signalled his desire to end the franchise system - and potentially to open car sales up to a "free-for-all" through outlets such as supermarkets - when the industry's exemption from EC competition rules expires in mid-1996.

To gain the exemption, the underpinning for the sale and distribution of cars throughout the EC. But critics claim it is at least partially responsible for the wide disparities in new car prices alleged to exist throughout the Community.

In 1985, the industry argued that cars are exceptionally complex products, with important safety implications and requiring expert maintenance. Only dealers specifically franchised by manufacturers, and able to earn adequate profit margins, could ensure proper equipment and training, could reasonably meet these requirements.

The industry still insists that this is the case. Critics, led by consumers' associations, are increasingly dubious. Not least, they say, because cars have become so reliable, and because numerous surveys have found the standard of repair and servicing at franchised dealers no better than at independent garages.

The main issue, however, is the increasing public perception that cars would be cheaper, and with no real after-sales disadvantages, if sales became "free" through a variety of outlets. Despite his "clarification" of the role which intermediaries can play in importing cars across EC boundaries, Sir Leon has not enabled them to set up rival sales outlets immediately.

Indeed, he took care to emphasise that the industry exemption system remains in place - not least to allay the concerns of France and Italy, which regard it as a crucial mechanism for monitoring Japanese car imports after the creation of the EC single market next year, and during the transition to a completely open market for cars by 1999. What Sir Leon has done is to underline the intermediaries' existing right to operate within the exemption system. Broadly, he clarified the right of intermediaries to organise their activities as they wish, provided they confine them-

selves to securing a specific car for a named client, and do not seek to sell cars as if they were ordinary dealers. What prompted the clarification was a complaint by Peugeot of France that Ecosystém, a Rouen-based intermediary, was actually reselling - in France cars bought in Belgium and Luxembourg. Peugeot ordered its dealers in those countries to stop supplying Ecosystém. The Commission rejected the complaint and ordered Peugeot to lift the ban or lose the protected status of its dealers.

Sir Leon's action is not the only indicator that block exemption for the car industry may not survive, at least in its present form, after 1995. Earlier this year, Dr Klaus Stöver, a now-retired senior Commission official responsible for much of the exemption's monitoring, told a Financial Times conference that the Commission would be unlikely to renew the exemption unless car prices between EC member states converged.

To the manufacturers' chagrin, virtually every independent survey of EC new car prices undertaken has found wide discrepancies, particularly between the UK and main continental markets.

The two most important, unpublished, surveys were those undertaken for the UK's Monopolies and Mergers Commission (MMC), and by the Motor Industry Research Unit (MIRU) for the Motor Manufacturers' Association (MMA). The MMC study found that pre-tax prices in the UK can be 50 per cent higher than in some other EC markets, and generally 30-50 per cent higher. However, its findings are only partially borne out by MIRU, whose report is now in the Commission's hands.

Even when account is taken of exceptionally high after-tax prices in the UK, prices of small cars in particular were up to 30 per cent higher than in other key markets, MIRU found. But, it concluded, larger family cars were cheaper in the UK than in most other EC countries.

MIRU's research refrains from blaming for the disparities an exceptionally high after-tax price in the UK, or the fact that manufacturers have made their model ranges and pricing structures in each country so disparate and so complicated that even the most sophisticated buyers are unable to untangle them.

The suspicion is widespread among consumer groups that this is deliberate, aimed at discouraging consumers from seeking cars abroad. If the MIRU research leads the Commission to reach a similar conclusion, it will do little to help the industry's case for the exemption to be retained - at least in its present form.

Getting down to business

Good luck to Derek Keys, the tough and widely respected South African businessman who is to direct South Africa's economic policy from early next year. He faces a tough job getting to grips with a civil service bogged by apartheid and a tortuous bureaucracy which stifles efficiency.

He is one of a famous trio of South African businessmen - Donald Gordon and Sir Mark Weinberg being the other two - who were contemporaries at leading Johannesburg school, King Edward VII, and then as accountants' students at Witwatersrand University. Keys was the top student in his year. Gordon, not a modest man, is reputed to have commented that "many people have said I'm a brilliant man, but you know there's one more brilliant than me... that's Derek Keys."

Keys is the second top Gencon man to be tapped by Pretoria. One of his predecessors, Wim de Villiers, was also hired just over a decade ago to do the same sort of thing - bring the habits of the private sector into government.

He is not an Afrikaner - which makes him unique in the top ranks of Government - and he has never before been publicly identified with the ruling National Party. With finance minister Barend du Plessis heavily engaged in negotiating South Africa's future, Keys will be required to get a firm grip in economic policy. Though he's a representative of "big business", which the African National Congress so loves to hate, his appointment drew only mild concern yesterday from this quarter.

Chin chin

Some good news and some bad news about the refurbishing of London's Liverpool Street station, now enmeshed

OBSERVER



in the £20n Broadgate complex opened by the Queen yesterday. The good news is that commuters will still be able to use the bar in the station's basement opened up by the development.

The bad news for at least some of them is that the bar in question won't be the type you lean on with a drink in your hand, as the original plan promised. It will be the sort you pull your chin up to repeatedly.

Instead of turning the basement into a watering hole, British Rail has shunned it off for conversion into a pay-and-grunt gymnasium. Due to open in the new year, it will be run by a newly formed company headed by chartered surveyor Peter Spooner, a former partner of Edward Erdman.

His idea is to invite the station's 200,000 daily users to put themselves on the rack for 40-minute sessions, in return for a relatively low membership fee plus a charge for each ordeal. If the offer pulls, he intends to stretch out to other big stations scheduled

for overhaul. A somewhat inappropriately ample man in his early 40s, Erdman says he has decided to call the gym "Tracks" in preference to numerous suggestions from personal acquaintances. Besides "Sweatwork South East", he admits with a wince, the rejects included "The Fat Controller."

Delphic

Representatives of top London fund-managers may recall attending a presentation by Mirror Group Newspapers' bulky advertisement director Mark Pritchett, in the Dorchester Hotel on November 13 - the week after Cap'n Bob went overboard. Pritchett, the event's title should perhaps have served as forewarning. It was *The Missing Millions*.

Bullish

Stock markets may be plunging the world over but that does not dent the confidence of Elaine Garzarelli, the Shearson Lehman quantitative analyst who jetted into London yesterday. She expects the Dow Jones index to climb from its present point below 3,000 to 3,750 within six to 12 months. Having predicted the 1987 Crash, and having advised her clients to buy before the 1991 New Year rally, Garzarelli's reputation is riding high. Indeed the purpose of her visit is to promote a "Garzarelli Sector Analysis Portfolio" for off-shore investors.

Her style and estimated \$1.5m salary have filled plenty of magazine columns inches. Described as a cross between Barbara Streisand and Cher, she is certainly unlike the typical UK market analysts who tend to belong more to the John Major school of charisma.

A good contrarian would approve of her unfashionably bullish tone. On the other hand, a good contrarian would also conclude that it is about time for her forecasting reputation to take a knock.

One more round

Having turned round Britain's third biggest company, what will Anthony Tennant do for an encore? With his retirement as chairman of Guinness impending, it seems fairly clear that the well-connected Old Etonian is in the market for one more big job before he finally retires. Just 61, he is a strapping compared with the likes of Lords Hanson, King, and Westminster. Having started in advertising, his great strength has been in developing brands on an international scale, at GrandMet as well as Guinness. He also seems to have been jolly good at re-motivating a demoralised business after the Ernest Saunders era.

While not contemplating another job in the drinks industry, Tennant says he hopes "something will turn up". He describes himself as a manager and although he is not keen to get involved in a lot of committee work, he does intend to rule out a post-sector post. To Observer's mind, he might make a good replacement for Lord King at British Airways. But that could well upset Sir Colin Marshall who obviously feels he deserves the job after his stirring work as chief executive.

So what about BAT Industries, still needing a successor for Sir Patrick Sweeney?

Magic lantern

How many Treasury ministers will take to change a lightbulb? None. The bulb does not need changing. It is brightening up in line with forecasts.

Much the same as you, no doubt. Half a century after the bombs rained down on Pearl Harbour Lionel Barber reflects on why many Americans fear that Japan will defeat them in an entirely different kind of struggle.

If Robert Maxwell could siphon cash from the Mirror Group pension fund, apparently behind the trustees' backs, can anybody be sure that their pension is

What is the FT getting up to this Weekend?

safe? Philip Coggan provides an answer. In Tokyo, Robert Thomson talks to... well, not God exactly, but a man regarded by his 2m disciples as much more than an ordinary mortal.

Arnold Wilson finds that danger is beautiful, especially when skiing through a network of crevasses near Chamonix.

Christian Tyler has an unbelievably lucky encounter in Salzburg on the night of Mozart's death.

Jonathan Young explains that, despite the high cost of killing them, pheasants can be had at a peasant's prices, provided you do not try to bag one in Knightsbridge.

Weekend FT
Saturday December 7 1991

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INSIDE

Offel to seek tighter regulation of BT

Tighter regulation of BT's £1.35bn-a-year equipment supply business is expected to be announced today by Ofst, the UK industry regulator. It has drawn up a statement on the subject which it plans to publish only hours before institutional investors have to put in their final bids in the government's £5bn (£10.7bn) BT share sale. Page 28

Receivers called in to Alan Paul

Two years after the hairdresser Alan Paul came to the United Kingdom, the receivers have been called in. Everything about the company has moved at top speed, from the founder's sleek Ferrari - licence plate USM 1 - to the recent switch change in chairman. Peggy Hollinger looks at the demise of what London brokers once described as a "sleazebag" and a "stylish number". Page 31

Zenith drifts south

Zenith Electronics, the last American manufacturer of televisions, plans to shift the operations of its last US television assembly plant to Mexico. The company acknowledges that the move will leave only "knowledge workers" north of the Rio Grande. Page 28

Russian roulette in banks

The financial chaos of the Soviet Union - with a plunging ruble, rapid inflation, debt-servicing difficulties, and plans by various republics to introduce their own currencies - has made commercial banking in Russia little more than a game of Russian roulette. Such an assessment, by the deputy chairman of the country's central bank, might easily apply to the entire banking system in the former USSR. Page 28

Cracks in the milk cartel

Progress towards reforming Britain's antiquated milk-marketing system has been slow for the last two years. But the threat of European Court action could break the 60-year-old cartel at the scheme's centre. Page 32

Better prospects for Taiwan

After an unimpressive performance this year, the prospects for Taiwan's stock market in 1992 are looking decidedly better. Analysts blame this year's lethargy on the opening of the state-dominated banking system to private competition. Back Page

Kick-start for Norway

The deepening crisis in the Norwegian banking system has created big problems for the country's credit institutions. Page 25

Market Statistics

Base lending rates	38	London traded options	28
Benchmark Govt bonds	28	London traded options	28
FT-4 indices	28	Morgan fund services	28
FT 100 bond price	28	Money markets	28
Financial futures	28	New int bond issues	28
Foreign exchanges	28	World commodity prices	28
London recent issues	28	World stock index	28
London share service	28	UK dividends announced	28

Companies in this issue

Aacor	24	GI Universal Stores	28
Airsprung Furniture	24	Infint	24, 1
Alan Paul	31	In Shops	24
Alba	31	JS Pathology	24
American Express	27	James Hardie	28
Anglovaal	24	Murray Split Capital	30
Arlen	29	National Home Loans	31
Asia-Mid	29	Navitas	31
BT	28	Phoenix Timber	30
Baltica Holding	24	PowerGen	30
Brook Bond India	24	Radio Clyde	30
CIBC	29	Regina Health/Beauty	30
Carby	24	Scapa	30
Deutsche Bank	24	Smith & Nephew	31
Drummond	30	Steel Bullitt Jones	30
Eastern Electricity	30	Tipton	31
Exor	24, 1	Wagon-Lits	24
Grand Metropolitan	30	Wellman	30
Greycoat	30	Westland	30
		Zenith Electronics	28

Chief price changes yesterday

FRANKFURT (DM)			Tokyo (Yen)		
Alcoa	157	+ 10	Alcoa	3622	+ 172
Aluminum	390	+ 10	Aluminum	7800	+ 770
Alumina	285.5	- 19.5	Alumina	790	- 20
Aluminum	332	- 8	Aluminum	547	- 34
Aluminum	280	- 11	Aluminum	4555	- 245
Aluminum	280	- 11	Aluminum	791	- 25
NEW YORK (\$)			Tokyo (Yen)		
Alcoa	42.5	+ 7.5	Alcoa	536	+ 45
Aluminum	20.4	+ 1.2	Aluminum	730	+ 58
Alumina	16.1	- 0.1	Alumina	534	- 54
Aluminum	12.0	- 0.1	Aluminum	554	- 74
Aluminum	37.4	- 2.4	Aluminum	1630	- 160

NEW YORK prices at 12:30pm.

LONDON (Pence)			LONDON (Pence)		
Alcoa	23	+ 3	Alcoa	110	- 10
Aluminum	121	+ 5	Aluminum	158	- 10
Alumina	865	+ 24	Alumina	725	- 19
Aluminum	308	- 21	Aluminum	565	- 17
Aluminum	151	- 22	Aluminum	535	- 4
Aluminum	108	- 7	Aluminum	534	- 17
Aluminum	333	- 12	Aluminum	453	- 12
Aluminum	41	- 18	Aluminum	302	- 32

Heineken plans Vietnam brewery

By Ronald van de Krol in Amsterdam

HEINEKEN of the Netherlands, the world's third-biggest brewery group, yesterday signed a contract to build and run a beer brewery near Ho Chi Minh City, making the Dutch company the first international drinks group to begin local production in Vietnam.

Its vehicle for investing in Vietnam will be Asia Pacific Breweries (APB), a joint venture between Heineken and the Singapore drinks group, Fraser and Neave.

APB, which will own 60 per cent of the new brewery, plans to invest \$25.5m in the project. Its local partner, Foodcraft Company II, owned by the Ho Chi Minh city government, will hold the remainder and invest a sum in local currency proportional to its shareholding.

The new brewery, to be called Vietnam Brewery, is expected to begin production in late 1993 with an initial capacity of 30m litres a year. At first it will concentrate on producing Tiger, an APB brand, with Heineken production to begin at a later stage.

Except for interruptions caused by government decrees, Heineken has exported to Vietnam for decades. In 1990, it captured 60 per cent of the country's imported beer market, with Tiger accounting for a further 30 per cent.

Vietnam, which is opening up to outside investors, has only two breweries, both owned by the state. Lack of supply and low purchasing power have combined to limit beer sales to 1.2 litres per person, against an average of 90 litres in the Netherlands.

The Dutch company has spent two years negotiating the Vietnam deal, and is looking forward to the project with "pioneering spirit", a spokeswoman said.

Heineken generates most of its sales in Europe. The company's sales in the regions of Asia and Australia, while still small as a percentage of the total, showed the strongest growth of any region last year, climbing 27 per cent compared with just 4.5 per cent in Europe. Heineken owns stakes in breweries in Indonesia, Malaysia, New Zealand, China and Papua New Guinea.

Separately, Heineken confirmed a report it was considering selling two of the four breweries owned by El Agula, its 52 per cent-owned Spanish subsidiary. The two candidates for divestment are the smaller of the four and are located in Zaragoza and Cordoba.

Chairman announces formation of three subsidiaries IBM begins restructuring

By Louise Kehoe in San Francisco

INTERNATIONAL Business Machines (IBM) yesterday announced the formation of three subsidiary companies and a broad restructuring as it implemented sweeping changes in its business.

"This is only the beginning," stressed Mr John Akers, IBM chairman. Ultimately, he aims to redefine the structure of the entire corporation, the largest computer company in the world.

Mr Akers announced the formation of an independent subsidiary company to take over IBM's computer printer operations and another to be responsible for data-storage products.

IBM formed a US subsidiary called Employment Solutions to handle personnel hiring and

related services for IBM and potentially other companies.

These units are the "models" for the future structure of IBM's business, said Mr Akers. "Over time" IBM will transform more of its product groups into subsidiary companies, Mr Akers said. In addition, the company will spin off additional administrative services into separate companies, he said.

Providing details of the broad restructuring plans announced last week, Mr Akers announced changes in its personal computer, mid-range computer, large systems and technology products businesses, which together represent the bulk of IBM's hardware products.

IBM also detailed new management and measurement systems for all IBM business units. "The new organisations will be on the leading edge of the changes," Mr Akers said, "but the new management and measurement systems will apply to all of IBM's businesses, making each one more autonomous."

"We are going to push the pace [of reorganisation] as fast as we can," he said. The main challenge, he acknowledged, will be to persuade IBM employees to "develop the conviction that I have, that this is the right direction for IBM."

Some segments of IBM's business will move faster than others toward independence. While changes in IBM's mainframe computer operations, for example, will be approached conservatively, the personal computer business, is to be rapidly restructured.

IBM does not anticipate further reductions in its workforce as a result of the organisational changes, beyond the 20,000 jobs cuts that it has already planned for 1992.

"If we are successful, if we gain market share in 1992 and outgrow the industry modestly, we will be well balanced in terms of personnel," said Mr Akers. He warned, however, that if the computer market remains stagnant next year "the full employment policy that we have enjoyed will be on the table".

Details, Page 26

UK-based glassmaker beats expectations and maintains dividend

By Andrew Bolger in London

SHARES in Pilkington, Europe's leading glassmaker, rose 10p to 121p yesterday in spite of a halving of interim pre-tax profits by the UK-based company to £50.6m (£89.56m).

The results were better than analysts' expectations and the market was encouraged by the group's decision to maintain an unchanged interim dividend.

However, Pilkington emphasised trading remained difficult. Sir Anthony Pilkington, chairman, said 5,000 jobs were shed worldwide in the past 18 months and this process would continue.

In October the group said it would make a further 750 people redundant at its base in Merseyside, and establish a European headquarters for its glass operations in Brussels.

Group turnover fell £22.5m to £1.33bn in the six months to September 30. Restructuring costs of £4m were taken as an exceptional item. Sales in UK flat and safety glass were hit and trading profits collapsed by £24m, although the group made a small undisclosed return. German sales increased slightly but European operating profits - including the UK - fell from £70.7m to £33.4m.

North American sales were lower and trading profits fell from £15.4m to £9.5m, but in the US increased sales of vehicle glass helped Libbey-Owens-Ford recover from last year's second-half loss.

Visioncare, the group's US eyecare subsidiary, moved from a second-half loss to profits of £1.2m compared with £12.2m after cutting 30 per cent of the workforce.

The group's tax charge of £30.4m (£37.8m a year earlier) represents a rate of 60 per cent, compared with 42 per cent at the year-end in March. The group said the higher rate was due to unrelieved Advance Corporation Tax, which could not be recovered when its UK businesses were under severe pressure.

Sir Anthony said: "With no evidence of an immediate upturn, and uncertainty over the rate of economic recovery, the immediate prospect is one of further cost reduction and tight control of expenditure."

Capital spending is likely to fall by £100m in the current year, although spending on research and development rose from £27.8m to £30.9m in the half-year. Earnings per share fell from 7p to 1.5p, but the interim dividend was maintained at 2.55p. Lex, Page 20

Pilkington shares rise as profits halve to £51m



Sir Anthony Pilkington, chairman, continuing to cut costs

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GrandMet beats forecasts with 4.8% increase to £963m

By Philip Rawstone in London

GRAND METROPOLITAN, the international food, drinks and retailing group, beat market forecasts with a 4.8 per cent increase in pre-tax profits from £919m (£1.6bn) to £963m for the year ended September 30.

Adverse currency translation reduced taxable profits by £28m. Sir Allen Sheppard, chairman and chief executive, hailing the results yesterday as evidence of the group's all-round business strengths, confidently predicted further progress in 1992 in spite of testing economic conditions.

Shares in GrandMet, which is lifting the dividend by 11.5 per cent to 22.7p with a final payout of 14.3p, closed unchanged on the day at 84p in London.

Sir Allen said the group's business portfolio was now "in good shape" and growth potential had been improved by recent dispos-

als and acquisitions. Overall organic growth in trading profits during the year had been 10.4 per cent - with growth rates of 16.6 per cent in food and 11.3 per cent in drinks.

Any further acquisitions, he indicated, would be "smaller additions" directed towards strengthening the food and drink businesses. "We are not in the business of sudden shocks."

With the top four international drinks groups still controlling only 35 per cent of the spirits market, the group said further opportunities for the friendly acquisition of brands.

Robust performances by the food and drinks operations drove overall trading profits 11.7 per cent higher to £963m from £866m. The only disappointment came from the Europe division where a 15 per cent fall in sales led to a

£7m loss. Sir Allen said the stores had suffered from the US squeeze on consumer spending. "Once the recovery starts, there should be a dramatic swing in the business."

The investment in pubs joint venture with Courage lost £22m but Sir Allen said it was "on course" to profitability.

Group borrowings have been reduced from £2.89bn to £2.59bn and gearing, down from 84 per cent to 76 per cent, will be further reduced to 61 per cent by the £400m proceeds from the sale of Express Dairy and Eden Vale.

Sir Allen said the £50m owed to GrandMet by Brent Walker over the sale of William Hill bookmakers had been kept on the books. "Brent Walker owes us £50m. That's confirmed." He dismissed Brent Walker's claim against the group as "plain nonsense". Details, Page 31

Bae and Matra group plan space link

By Paul Betts, Aerospace Correspondent

BRITISH AEROSPACE (BAE) is negotiating merging its space activities with those of Matra Marconi Space, a joint venture between the French Matra defence and electronics group and the UK General Electric Company (GEC).

The move reflects BAE's strategy of concentrating on its core defence, aircraft, car and construction businesses. The company said it was reviewing all activities outside its principal businesses when it launched a controversial £432m (£764.6m) rights issue three months ago.

Negotiations over the company's space activities are also the first tangible sign of a rapprochement between BAE and GEC, the biggest UK defence contractors.

GEC was seen as a possible bidder for BAE after the company was shaken by a top management crisis and its flopped rights

issue. But GEC subsequently said it had no hostile intentions towards BAE.

In its rights issue document, BAE said its space and regional aircraft businesses operated in sectors needing rationalisation. It said that even before its management crisis, it had been talking to potential partners.

However, negotiations on a rationalisation of the company's space activities appear more advanced than those on its regional aircraft operations.

BAE, which already had links with Matra in the space sector, was approached by the new Matra Marconi Space group before the company's recent management upheaval. The talks now appear to have gathered momentum reflecting not only the new BAE rationalisation strategy but also growing consolidation of the European space and satellite

industry around two groups. GEC decided to pool its Marconi space activities with those of the French Matra group to form Matra Marconi Space company last year. Matra and Marconi are also in advanced negotiations with Aérospatiale, the space subsidiary of Bosch of Germany, to join their space group.

Another European space partnership has been formed led by Aérospatiale, the French aerospace company, and Alcatel, the French telecommunications group.

Apart from its negotiations with Matra Marconi Space, BAE is also poised to announce a reorganisation of its defence operations. The company plans to integrate its Royal Ordnance armaments subsidiary with its other defence activities including military aircraft and guided weapons systems.

German metals group falls 35%

By Andrew Fisher in Frankfurt

METALLGESELLSCHAFT, the German metals, mining, and engineering group, suffered a 35 per cent fall in pre-tax profits to DM316m (£190m) in its past financial year to September 30, 1991, but said it hoped for improved results this year.

The company, which has been moving strongly into environmental activities, blamed the fall on metal prices, the worsening automobile market and the weakness of the world economy.

Demand for non-ferrous metals grew more slowly than production, while supplies of aluminium and lead from eastern Europe also depressed the market.

The lower profits came in a year of expansion for the group, whose acquisitions included the German engineering activities of Davy of the UK and the largest steel producer of Federal Republic of Germany, Thyssen.

It also reorganised its mining interests - held through the Toronto-based Metall Mining - leaving it with 14 per cent of Vancouver-based Teck, 14 per cent in MIM, the Australian metals and coal producer, and 5 per cent of Cominco, the Canadian mining concern.

Group turnover rose 7 per cent to DM21bn last year, with capital spending up by 40 per cent to DM1.2bn. Much of the increases reflected the consolidation of Norddeutsche Affinerie, its German copper refining operation.

The company said the DM1.45bn purchase of the Feldmühle activities from Stora of Sweden would take effect from January 1, 1992. Metallgesellschaft will hold 80 per cent and Deutsche Bank and Dresdner Bank 10 per cent each. The businesses include Buderus (building materials, heating and kitchen equipment, and stainless steel goods), Dynamit Nobel (explosives and plastic), and Stora's industrial ceramics and engineering plastics division.

The group said the weakness of metal prices and the dollar had continued at the beginning of the 1991-92 financial year, with no recovery in sight in the US and UK after the Gulf war. The state of eastern European economies was also having a dampening effect, although German unification had helped some industrial sectors.

Trading and financial activities had experienced lower profits last year, as had Metall Mining. Kolbenschmidt, its quoted motor components subsidiary, felt the impact of the poorer automobile market in the US, Brazil and western Europe.



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COLLAPSE OF THE MAXWELL EMPIRE

Tensions over Mirror's future

By Ivo Dawney, Political Correspondent

AS THE so-called Mirrorgate scandal unravels further yesterday, Labour MPs had at least one thing for which to be truly thankful - Mr Neil Kinnock's tribute to Mr Robert Maxwell last month had been considerably less effective than that of the prime minister.

The party leader's ambivalence was understandable. Relations between the two had never been close and Mrs Betty Maxwell, the tycoon's widow, had privately expressed her dislike of the man whom her husband's newspapers so avidly championed.

Despite the public bonhomie, Mr Maxwell's relationship with the party he once represented as MP for Buckingham was always tense. But when he became staunchly pro-Labour Mirror Group from Reed International in 1984, the majority view was that the party had better make the best of it.

As Mr Tam Dalyell MP, a close friend of the entrepreneur, put it yesterday: "The view was: he may be a bastard, but he's our bastard."

For many other party members, however, Mr Maxwell's proprietorship of the only Labour voice in the tabloid press was a mixed blessing or worse.

And when Mr Peter Hain, the Labour MP for Neath, rose in the Commons yesterday to state that the future of the Daily Mirror was now "in hock to City spies and business tycoons" the silent embarrassment on his own benches was only matched by the ironic jeers from the Tories.

Many have long suspected that Mr Maxwell had always used Labour to more effect than the party had used him. The long-running industrial dispute at the Pergamon publishing company has forced those that wished to drink his champagne at party conferences to cross a picket line.

Moreover, his apparent generosity was, officials now claim, strictly for the cameras. Shortly after he took over the papers, he had flamboyantly wielded his chequebook to win friends and influence. Speaking from the floor of the Blackpool conference, he pledged to match all the contributions from delegates penny for penny. It cost him something over £30,000.

Though he made a similar gesture at the conference the following year, the promised cheque never followed.

For Labour now, the future of the Mirror is a matter as urgent as the plight of its pensioners. Stunned MPs are terrified by the prospect that a Tory buyer could break what is now nearly half a century of loyalty to their cause.

The Daily Mirror's adoption of the Labour cause began in earnest in 1945 when journalist giants like Hugh (now Lord) Cudlipp, Richard Crossman (later a Cabinet Minister) and William Connor (the columnist Cassandra) took up the paper as the champion of the British serviceman.

The Mirror remains a stalwart bastion to Labour - a crucial symbol of the party's right to a place at the top table of the media establishment, and hence, the establishment of the nation at large.

As for Joe Haines, the paper's principal political columnist, underlined yesterday: "Potential buyers should understand that our success and our profits are due to our traditions and to those who uphold them. Finker or tamper with those and an asset could disappear overnight."

Yet he also conceded earlier in the same column that he who pays the piper calls the tune. It is ironic that those who played the loyal Labour tune that Mr Maxwell called may now find they have also ended up with the bill.

Robert Peston examines the worrying imbalance between the private companies' assets and their liabilities

Wreckage is likely to claim some victims

AN ANTIQUE fire-engine takes pride of place in the ante-room to the neo-Gothic conference hall at the Charterhouse Insurance Institute in the City of London.

There was no more appropriate setting for Mr John Talbot, a partner of Arthur Andersen, the accountant, to spell out how he intends to rescue what he can from the wreckage of the Maxwell family's private interests.

He was appointed yesterday as administrator of Headington Investments and Robert Maxwell Group, the two master companies of the family's private empire.

As such, his job is to recoup as much as possible for all creditors. The main creditors are banks, the Maxwell public companies - Mirror Group Newspapers and Maxwell Communication Corporation - and their pension funds.

The outlook for all of them is bleak. Mr Talbot estimated that the creditors are owed £1.4bn in total, of which £800m is owed to the banks. However, estimates by Coopers & Lybrand Deloitte, the accountant, put the respective figures at £1.6bn and £900m.

Mr Talbot refused to be drawn on the precise value of the private companies' assets, except to say that they were "significantly less than liabilities". However, a fortnight ago the banks were provided with estimates of the net worth of the private empire by Coopers and Bankers Trust, the US bank, which were both working for the Maxwell brothers, Ian and Kevin.

These preliminary figures may err on the side of optimism, since the family was trying at the time to make a case for why the companies should be kept out of administration. However, they form the most

complete picture to date and Mr Talbot will be drawing on them.

There are approximately 400 companies within the private empire. Their assets fall into five main categories:

- Shares in Maxwell Communication Corporation;
- Shares in Mirror Group Newspapers;
- Property;

Minority holdings in several companies, such as 10 per cent of Henry Ansbacher, the merchant bank, and 6 per cent of Newspaper Publishing, publisher of The Independent;

• Interests in about a dozen operating companies, notably The European, the ambitious pan-European newspaper, The New York Daily News, the US tabloid acquired in March, and

the rum of AGB, the market research company, most of which was sold in September;

• Mr Robert Maxwell's yacht, the Lady Ghislaine, the corporate airplane and some helicopters.

Bankers Trust told the banks that the operating companies, freed of all debt, may be worth £200m. That may be too optimistic, since The European is making losses and probably has a negative value.

However, Mr Talbot pointed out that there had been "a turnaround" at The Daily News, which was making losses when Mr Maxwell bought it. However, figures are not available to make a meaningful estimate of its value.

Not is it clear whether the administrators will find it easy to sell The Daily News, following its decision yesterday to make a Chapter 11 filing under US insolvency law, protecting it from its creditors.

As for the minority holdings, they are probably worth more than £50m but less than £100m.

Then there are the properties. The main properties are the Mirror Group offices at Holborn Circus and a separate property in London, Hanger Lane. These were valued in October at about £140m. On top of this, there is an office building in Worship Street in the City, probably worth £50m.

The miscellaneous of vehicles and other assets will be worth a few tens of millions at most. In other words, the assets apart from MGN and MCC are worth £400m at the outside.

So the question of how much creditors will get hinges to a great extent on the value of MGN and MCC. Mr Talbot made it clear yesterday that both would be sold.

When MCC's shares were suspended on Monday, the company had a market value of £26m. The private companies own 68 per cent of MCC, worth £18m at the suspension price.

However, the banks have a further 12 per cent of MCC as collateral, which is shares borrowed by the private companies from the pension funds. Their legal title to these shares may be disputed by the pension funds, though the banks are convinced that the funds' claim is not strong.

In a sense, any dispute of this sort may be academic. Mr Robert Maxwell's extraction of £700m in cash from both public companies and their pension funds has undermined their value.

About £100m has disappeared from MGN itself and at least £240m has been lent by

MCC to the private companies. The chances of any of this being repaid appear slim. The public companies have a separate problem. They will have to make contributions to their pension funds, to make good the deficit in those funds - which was caused by the extraction of about £400m from the funds by the private companies.

Price Waterhouse, the accountant, is carrying out a detailed evaluation of MCC for its banks, led by Credit Lyonnais and Swiss Bank Corporation. They will not make any decision on the future of MCC until they have received the report. However, they say that they are intent on keeping it out of administration, since such a move would impair the value of its assets.

Nonetheless bankers say that shares in MCC may be valuable.

On the other hand, MGN may be worth £200m, compared with its market valuation at the suspension price of £50m. The private companies own 51 per cent of this, which would be worth £103m. In addition, another 31 per cent of MGN shares, borrowed from the pension funds, are held by banks as collateral.

The bottom line, is that the private companies' assets are unlikely to be worth more than £500m, on optimistic assumptions. Given how many new liabilities have been incurred in the past week, even that figure cannot be trusted. Who knows what skeletons Mr Talbot may unearth?

In other words, yesterday was a bleak day for the banks, who stand to lose at least a third of what they lent to the private companies. The prospect for other creditors, notably the pension funds, may be hopeless.



John Talbot (right) and Tony Brierley, joint administrators: to the pump with a brief to rescue what is possible

US paper files petition for protection

By Alan Friedman in New York

THE New York Daily News, the loss-making tabloid newspaper that was acquired with much fanfare last March by Mr Robert Maxwell, yesterday filed a petition for protection under US bankruptcy laws.

The newspaper said the action was taken to protect common bonds held by administrators of the Maxwell empire and because the appointment of the administrators had cut the paper off from much needed operating funds.

The newspaper, which lost \$100m (£56.4m) in 1990, said its board of directors decided on the filing during a meeting held on Wednesday evening. Mr Kevin Maxwell, who succeeded his father as chairman of the New York newspaper, participated in the board meeting by telephone, according to Mr John Campi, a spokesman for the News.

The newspaper said the bankruptcy filing was made "to protect the Daily News

against the uncertainties involving the Maxwell family's creditors in England and from a capital squeeze due to the debt problems of the family-owned businesses."

While claiming that it is ahead of its 1991 business plan, the newspaper said it "requires a continuing short-term investment of funds to continue operations and achieve consistent profitability." The present situation in the UK had "cut off the owners' ability to assure that money."

Mr Campi maintained that the Chapter 11 filing means the newspaper cannot be sold by the UK court-appointed administrators. He said The News would continue operating under its present management, which will now draw up a revised business plan. A committee of creditors, which management said would probably include representatives of the paper's trade unions, will be created to oversee the reorganisation.

Mr Campi stressed that the Daily News's pension funds are not affected by the bankruptcy petition or by the problems involving the Maxwell business pension funds in the UK. "The funds are intact and the trustee is the Bank of New York," the spokesman said.

Mr Maxwell received a payment of \$60m from the Tribune Company of Chicago when he agreed to take over the Daily News last spring.

Mr James Hoge, the publisher of the newspaper who resigned last July, said at the time of the Maxwell acquisition that the newspaper had suffered losses of \$60m during the first three months of 1991.

The News acknowledged yesterday that some \$30m of the amount received from Tribune was used to cover an extraordinary debt related to severance and buy-out charges.

The newspaper's workforce has been slashed to 1,900 from the 2,700 employed at the time of the acquisition last March.

The newspaper's operating loss for 1991 should amount to around \$35m, Mr Campi said, adding that ultimately the net loss for the year would be as little as \$5m or \$6m thanks to the \$60m received from Tribune, which will be used to cover the special charges and operating deficit.

The newspaper also said two Daily News executives were added to the board of Maxwell Newspapers, the holding vehicle that controls the paper. They are Mr James Willis, editor and senior vice president, and Mr Larry Bloom, chief financial officer.

Mr Campi claimed the newspaper's current sales were more than 800,000 copies on weekdays and more than 1m copies on Sundays.

He tried to put a brave face on events, insisting the newspaper would not be shut down. The Daily News will outlive us all," he claimed.

Negotiations for disposal of Headington Inv's 60% of US fund manager are underway

By Alan Friedman in New York

NEGOTIATIONS ARE underway to sell the 60 per cent shareholding held by the Maxwell family's Headington Investments in London & Bishopsgate, "there is no operating relationship between us".

LBII began operating in early 1989, two years after Mr Robert Maxwell purchased Global Analysis Systems, an economics risk analysis company owned by Mr Andrew Smith, the vice chairman of LBII.

Mr Smith and Mr Maxwell decided to transform Global into an investment management group. This induced Mr Smith to relocate to New York in early 1990 and to sever all his ties with London & Bishopsgate of the UK, Mr Chender explained.

Discussions regarding the sale of Headington's 60 per cent stake in LBII, which employs 50 people, began early in 1991.

Mr Chender maintained that the final decision to sell the shareholding was taken last August.

"We agreed with Mr Maxwell that the stake would be sold for two reasons. "We were interested in getting involved with a financial group that would provide us with a better fit than a media company and Mr Maxwell decided to pare down his non-media holdings," Mr Chender explained.

The LBII executive said he did not believe the fund manager would be affected by the appointment of UK administrators.

"My understanding is that nothing changes for us. We are already for sale."

He added that the 40 per cent minority shareholding in LBII would continue to be owned by the company's management.

While LBII would not disclose the names of its clients, Mr Chender revealed that they included large US public pension funds, offshore mutual funds and large Canadian companies.

The Maxwell family controls its 60 per cent stake in LBII through the London-based Headington Investments, which in turn owns the shares indirectly through London & Bishopsgate Holdings North America Limited, a UK holding vehicle.

This UK vehicle in turn controls the Delaware-based London & Bishopsgate Holdings North America Incorporated, the company that owns the direct stake in LBII in New York.

In Connecticut, Macmillan, the publishing group that together with Official Airline Guide accounts for some 90 per cent of Maxwell Communication Corporation's group operating profits, said it could not disclose the size of its pension fund.

But Macmillan said the company's pension fund remained intact.

Mr David Shaffer, the Macmillan president who was this week named chief executive of Maxwell Communication Corporation, said he was in London yesterday morning for discussions with the Maxwell family.

He was accompanied by Ms Susan Aldrich, Macmillan's chief financial officer.

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But Macmillan said the company's pension fund remained intact.

Mr David Shaffer, the Macmillan president who was this week named chief executive of Maxwell Communication Corporation, said he was in London yesterday morning for discussions with the Maxwell family.

He was accompanied by Ms Susan Aldrich, Macmillan's chief financial officer.

The European waits for news of its future

MR IAN Watson, founding editor of The European, one of Robert Maxwell's more grandiose creations, did not go to bed on Wednesday night.

It was not Maasricht summit coverage he was worried about. Mr Watson stayed up on the eve of the arrival of Arthur Andersen as administrators to the Maxwell private businesses, ringing everyone who could think of who might be interested in saving The European.

Can The European now survive? "I very much hope so. I don't see why not. There is so much work to be done," said Mr Watson, editorial director of the paper.

So far, two tentative expressions of interest have been put forward - one from a large Far East concern and the other from a European group.

The fear now is, however, that today's (paper could be the last and that The European's views on how Maasricht will affect the future of Europe will never be known.

Mr Watson believes that The European has significant assets to sell - its title, the pan-European distribution network set up with great difficulty and a circulation of 225,000 to 230,000 a week.

The European is believed to be losing about £800,000 a month after an initial investment of £40m to £45m, although losses are coming down after a cost-cutting drive.

The present business plan is budgeting for a 57m loss for 1992, a 54m loss in 1993 and break-even in 1994.

Senior executives admit that with circumstances having changed so drastically, a further knife could now be taken to costs to try to ensure the paper's survival.

The European is distributed in 42 countries and about 100,000 of its circulation is accounted for by UK sales. France and Germany are the paper's next best countries with sales of between 25,000 to 27,000 each. In the US, the

paper claims sales of 17,000 to 18,000 copies.

When Robert Maxwell launched The European in May 1990 he sent a video to potential advertisers with his own personal rallying call, dedicating the paper to the notion of a European home to which everyone could belong.

When Mr Ian Maxwell took over, briefly, as chairman of Mirror Group Newspapers he said The European would be a fitting memorial for his father.

Unless a dedicated European with deep pockets comes along soon, the memorial may not long outlive its creator.

Ray Snoddy

Network of financial responsibility broke down after resignations

DIRECTORS and former directors of Maxwell companies say that from early this year they became less and less convinced they had full information on the financial and treasury functions for which they were responsible.

In the past 48 hours it has been revealed that around £500m has been drained from the public companies Mirror Group Newspapers and Maxwell Communication Corporation and from their pension funds. Much of that appears to have been drawn since the summer, without the knowledge of their boards.

The questions of how that much money drained out and where it went remains a mystery. The answers - if they can be answered by anyone other than Mr Robert Maxwell - may possibly emerge after discussion between bankers, administrators, his sons Kevin and Ian, and with the central group of finance directors and treasurers that Maxwell employed to manage the money of his companies.

Nevertheless, the picture that can be uncovered from past and current employees, in both financial and managerial roles, confirms the first impressions from bankers and auditors now investigating the scale of the Maxwell debts: the treasury and finance functions, especially for the private companies, became increasingly complicated during 1991.

The terms in which past and present employees discuss the experience of working with Maxwell are remarkably similar. Many senior employees of Maxwell companies, both from managerial and financial operation, agree that Mr Robert Maxwell generally worked extremely closely with his son Kevin, who was chief executive of MCC, and to lesser extent with his son Ian. All three tended to be directors of the private companies. The two sons have said, however, that their father operated on a "need to know" basis and that they did not know the whole picture.

Beyond the trio, the roles of finance and treasury directors and managers tended to be confined to one of either the



Jean-Pierre Anselmini, David Shaffer, Ronald Woods and Robert Maxwell: directors and ex-directors of MCC



public companies (MGN was part of the private Maxwell interests until May 1991), or to the private companies.

While directors and managers did swap from one job to another within the empire, at any one time they appeared to have more or less clear cut functions. Directors were not usually deeply involved with

both public and private businesses although some had a small overlap in their responsibilities between the two "sides" of the Maxwell empire. For instance, Mr Ronald Woods and Mr Alan Stephens, the tax director and company secretary of MCC, were also listed as directors of some of the private companies.

Several people who worked closely with the Maxwells within public and private companies have commented that Robert Maxwell had an inner circle of favourites among his managers and directors.

If an employee disagreed with Mr Maxwell he would rapidly be "frozen out" of this inner circle, to find instructions and information given to those below him in the hierarchy.

"People might now say we should have known some things we didn't know - but they can't imagine what working in a Maxwell company was like. You were at the centre or nowhere," said one.

That kind of complaint seems to date from this year, when, according to the picture, the flows of cash became larger and harder to track.

A year before, the atmosphere appears to have been different. Mr Reo Ugg, finance director until July 1990, says that from his point of view, "things were maintained in an orderly fashion" while he was there, an opinion strongly shared by several other directors and former employees.

If internal organisation did become less orderly, what could have been the cause? Mr Mogg's departure was followed by several longstanding senior employees. Taken together, the absences could be argued to have weakened the central management functions.

In February 1991, Mr Richard Baker, deputy managing director of MCC, took early retirement. He had been responsible for mergers and acquisitions, and had been with the group for nearly 23 years.

His role was taken by Mr Jean-Pierre Anselmini, who was also deputy chairman of MCC, but then left in October 1991. Others have said that he gradually became more distant from central finance operations during 1991.

The poets were generally replaced from appointments inside the group. In July 1990, while Mr Robert Maxwell tried to bring in Mr Peter Walker, MP and director of brokers Smith New Court as chairman of MCC, Mr Walker decided not to take up the post in the summer this year.

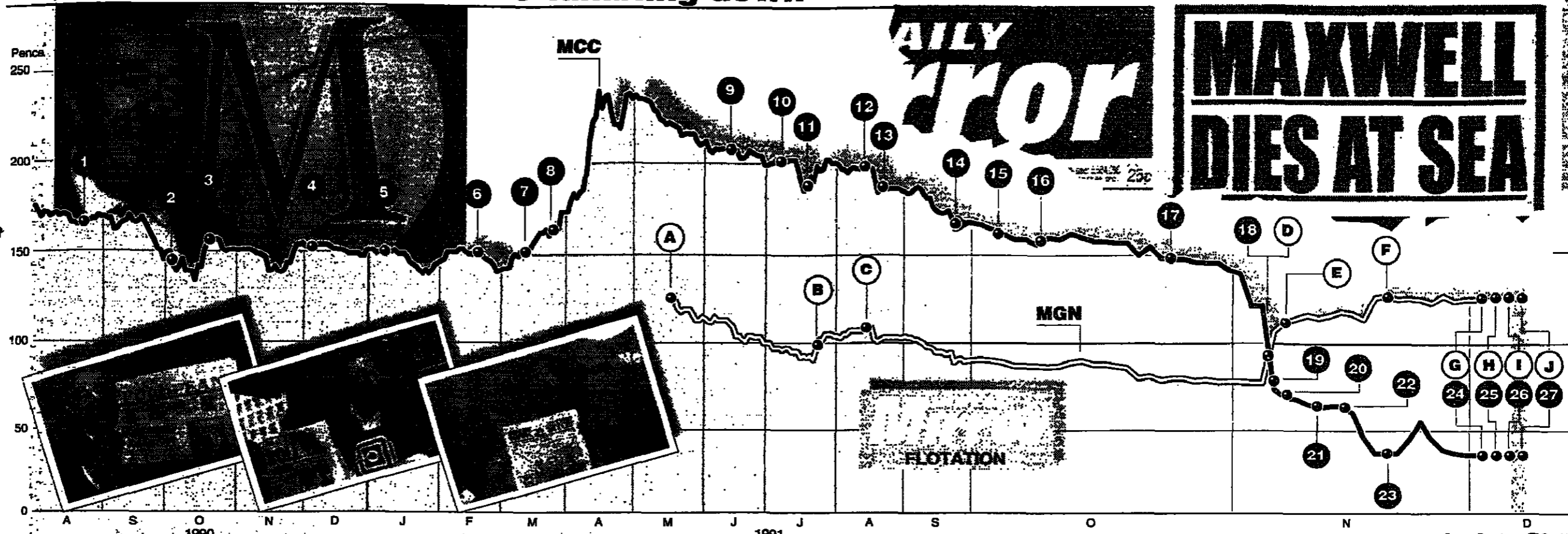
around a month after the announcement of his appointment, because MCC was mainly a US company and it made sense to manage it from there.

The mechanisms of how so much money was moved around - and how so much appeared to disappear - will occupy the auditors and bankers for weeks, if not months. Solving the mystery of where it has gone will help answer the question of how exactly it got there.

Brownwen Maddox

COLLAPSE OF THE MAXWELL EMPIRE

How the house of cards came tumbling down



The Maxwell empire, embracing newspapers and publishing houses, football clubs and yachts, has collapsed with dizzying speed since Mr Robert Maxwell died at sea on November 5. For more than a year Maxwell's empire had been trading with increasing concern a series of his financial transactions. These involved both his public companies, Maxwell Communication Corporation and Mirror Group Newspapers, floated in May, and his private companies, the purpose of which was not always clear but they often had a dramatic impact on the share prices of the two companies.

Shortly before the MGN flotation, the pace of deals began picking up, reaching a frenzied activity shortly before his death. Only now are some of those coming to light, involving the transfer of assets from company pension funds, large loans from the public to the private companies, ballooning debts and mortgages on virtually every Maxwell asset.

The central mystery is why the

Maxwell empire had such a voracious appetite for cash. Where the money has gone is a question which will take months to unravel. Indeed, the picture may never be fully drawn.

Key events since the summer of 1990 include:

MAXWELL COMMUNICATION CORP

- 1 Aug 23 1990: Robert Maxwell acquires 15.7m shares in MCC, taking family stake to 26%
- 2 Oct 3: MCC announces three disposals to raise £200m
- 3 Oct 18: Sale of non-strategic assets and short-term debt repayment
- 4 Dec 3: Exercise of put option over 15.65m ordinary shares on November 30 by third party. Maxwell stake in MCC 30.4 per cent
- 6 Jan 7 1991: Bishopsgate Investment Trust, a Maxwell family fund manager, and R Maxwell sell European put option of maximum 30m MCC shares, strike price 152p, expires February 15
- 6 Feb 19: Put option exercised for 30m ordinary shares. Bishopsgate

Investment Trust holds 38.14 per cent of MCC on behalf of Maxwell Foundation

- 7 March 12: Maxwell wins control of New York Daily News
- 8 March 28: Mr R Maxwell to relinquish MCC chairmanship. Mr Kevin Maxwell to become chief executive. Mr Peter Walker to become chairman. He subsequently declines the post. Conditional sale of Pergamon Press to Elsevier NV for £440m cash
- 26 June 14: Preliminary results for year ended March 31; pre-tax profits down by 5%; dividend maintained at 15p
- 10 July 4: Maxwell bids for First Tokyo Investment Trust
- 11 July 16: Board decides to prepare demerger plan for North American assets; to be managed from North America
- 12 Aug 14: Goldman Sachs, US investment banker, acquired as security interest 31.2m shares on March 27 1991; holds 7.5 per cent
- 13 Aug 20: Maxwell family to raise money through Israeli stock float of

Scitex

- 14 Sept 20: Maxwell sells MTV stake
- 15 Oct 4: Mr Jean-Pierre Anselmini resigns as deputy chairman of MCC
- 16 Oct 7: Disposal of directories business of Macmillan Inc, part of MCC to Reed Publishing Inc for £83.4m in cash
- 17 Oct 22: Nick Davies, Daily Mirror foreign editor, faces arms trading allegations
- 18 Nov 5: Mr Robert Maxwell reported missing at sea. Kevin Maxwell appointed acting chairman. Temporary suspension of share listing
- 19 Nov 7: Statement by Mr Kevin Maxwell and Mr Ian Maxwell: banks to support family operations. Letter of intent signed by Macmillan Inc and Fukutake Publishing Co for sale of Berlitz International. Restoration of listing from 8.30am. Press speculation that level of debt is approximately £1.4bn
- 20 Nov 10: Robert Maxwell buried
- 21 Nov 12: Agreement for cash sale of assets of Macmillan Computer Publishing to Paramount

Communications Inc for £157.5m

- 22 Nov 15: Citibank NA transferred 2m ordinary shares from Bishopsgate Investment Trust to Gorton Nominees Ltd, one of its own nominee companies
- 23 Nov 18: SFO investigates First Tokyo

MIRROR GROUP NEWSPAPERS

- A: May 18: MGN floated
- B: July 24: Good interim results
- C: Aug 14, 1991: Goldman Sachs acquires as security interest 40m ordinary shares on August 5; holds 10.48 per cent
- D: Nov 5: Maxwell reported missing at sea. Temporary suspension of listing as chairman
- E: Nov 7: Mr Ian Maxwell appointed as chairman
- F: Nov 9: Goldman Sachs reduces stake to 9.98%

Recent events affecting both companies:

- 24 Dec 2: MGN and MCC shares suspended "pending clarification of the Maxwell family companies' financial position and its effects on the public

companies". Market speculation about problems with MGN and MCC pension funds. Bankers indicate debts of private companies are more than £1bn. Maxwell executives confirm auditors checking pension funds.

- 25 Dec 3: Kevin and Ian Maxwell resign from MGN and MCC boards. Bankers say Maxwell private companies owe about £300m to MGN and MCC and about £300m to the two companies' pension funds. Department of Trade and Industry examining MGN share transactions as recently as October
- 26 Dec 4: Serious Fraud Office investigates MGN and MCC pension funds. Bankers say total Maxwell company debts to MGN and MCC and their pension funds more than £700m plus £900m of other debts
- 27 Dec 5: Administrators appointed to private Maxwell companies. Family's 51 per cent stake in MGN and 68 per cent in MCC plus other assets to be sold

Breathing space provided by administration

ADMINISTRATION, into which Headington Investments and Robert Maxwell Group passed yesterday, will give the two companies three months under the control of Arthur Andersen to put together proposals for their creditors' approval.

The procedure, which was only introduced five years ago, is still a relatively rare option for insolvent companies, but is rapidly growing in popularity. A company to be placed in administration is normally insolvent, so that either its liabilities exceed its assets, or it is unable to pay its debts for other reasons, such as inadequate cash flow.

The directors have to give a reason to justify administration, which could be the prospect of saving all or parts of the business; a better realisation of assets than could be achieved if it was wound up; or the development of a "scheme of arrangement" for creditors' approval.

If the judge approves the petition, the insolvency practitioners, who are appointed personally, become administrators. The administration order protects the company from its creditors.

The administrators take over the management of the company, and have three months to draft a formal proposal, which must then be voted on by the creditors.

If administration fails, the other likely options are administrative receivership, requested by the creditors, or liquidation, called by either the shareholders or the courts, which will lead to the sale of assets.

Men behind Headington's closed doors

SOME INSOLVENCY insiders described yesterday's appointment of Arthur Andersen as administrators to the two Maxwell companies as the firm's initiation into the top league of practitioners.

Andersen is a relatively recent entrant into insolvency in the UK, with a practice launched 10 years ago which has increasingly attempted to concentrate on corporate recoveries rather than liquidations.

Although it was the sixth-largest UK accountancy firm according to fee income - at £28m in the year to 31 March

1991 - it is only the seventh by insolvency fees, which at £12.3m are almost half the level of the next firm.

The Andersen staff has a reputation for low-profile, serious, high-quality technical work which is reflected in its choice of the four joint administrators for Headington Investments and Robert Maxwell Group. All but Mr John Talbot, the senior insolvency partner, are home-grown members of the firm.

● John Talbot: Head of Andersen's corporate recovery practice, born in 1948. Ranked among the top insolvency prac-

titutioners in the country, but carries a far lower profile than some of his bumptious counterparts in other firms. A serious and quiet man with very good technical skills, he tends to avoid publicity.

He worked in the Midlands as a company secretary, and became an accountant with Spicer & Pegler before joining Arthur Andersen in their Birmingham office in 1983. He is a collector of contemporary art, an opera enthusiast and a board member of the English National Ballet.

He has previously worked on receiverships including Turiff

Corporation, Norfolk House Group, Michael Peters and Broadland Land.

● Martin Fishman: Second-in-command, born in 1954 in south Wales. He joined Andersen in 1975 after a degree in economics and finance from Leeds University.

Specialised in oil and construction work, before joining the insolvency practice in 1982, where he was appointed a partner in 1987.

A keen bridge player and opera enthusiast.

● Tony Brierley: Born 1952. Joined Andersen's Manchester office in 1974 after studying

natural sciences at Oxford University.

Specialised in investigations and insolvency since 1979, and made a partner in 1986. Lists golf among his recreations.

● Murdoch McKillop: Born in Glasgow in 1947. Joined Andersen in 1971 after a degree in economics and accountancy at Strathclyde University. Made a partner in 1984.

Head of the Scottish arm of the insolvency practice, and divides his time between London and Scotland. A keen sailor.

Andrew Jack

Government to restrict pension fund investment

THE government said yesterday that legislation to limit the ability of trustees of pension funds to invest capital in the companies which own them will be tabled shortly.

With the failure over the MGN fund unabated in the Commons, officials of the Social Security department insisted that an as-yet unactivated clause in the 1990 Social Security Act would come into force as soon as the necessary procedures have been completed.

Under the provision, the total amount in any fund allowed to be put back into the controlling company would be fixed at 5 per cent of the total assets. But the department said last night that it was not yet possible to give an exact date as to when it could be brought into force.

The delay in enforcing the clause is certain to provoke fresh criticism from MPs. But officials insisted that the wide-ranging ramifications of enacting the clause meant that full consultations were needed with the pensions industry.

"You don't go bull-headed at a complex issue like this," an official said.

A study of the consequences of "self-investment" by pension funds was commissioned by the Department from Ernst & Young last year and reported on May 3. It is currently being examined by the Occupational Pensions Board.

Last night Ms Marjorie Mowlem, Labour's City spokesman, said that enactment of the clause would not be sufficient to put the worries of pensioners and beneficiaries at rest. The restraints on self-

Ivo Dawson

Mr Ian Maxwell, the former chairman of MGN, resigned with the rest of the board from Bishopsgate Investment Management which manages over half MGN's £530m pension fund after discussions with IMRO, the fund management industry watchdog, writes Richard Goumlay.

Mr Maxwell was chairman of MGN until Tuesday and also a trustee of the Mirror Group Pension Trust with his father, Mr Robert Maxwell, and brother Mr Kevin Maxwell, the former chairman of Maxwell Communication Corporation.

A trustee of the MGN pension fund said he first knew there were problems two or three days after Mr Robert Maxwell died on November 5. Mr Maxwell, who welcomed the SFO investigation, "It's not possible to say the extent of the funds missing - certainly funds have been moved from the pension fund without due authority."

Cabinet orders an examination of further measures to prevent abuse of pension funds

MR John Major, the prime minister, refused to comment in the Commons yesterday on the actions of the trustees of the pension funds which have incurred potential losses in excess of £400m on loans to the Maxwell family's private companies.

Earlier the events since the death of Mr Robert Maxwell were the subject of a report to the Cabinet and an examination was ordered into possible further measures to prevent the abuse of pension funds.

During rowdy exchanges in the Commons, Mr David M. Holmes (C, Taunton) accused Labour MPs of shedding "vociferous tears" over what had occurred.

He urged the prime minister to launch the earliest possible

inquiry into how pension funds were protected by prominent Labour Party members who were directors and trustees of the MGN pension fund.

Mr Major replied that it would not be appropriate for him to comment on individuals who were the trustees of the pension fund.

Stressing that the management of pension funds was based on trust law, he described the behaviour of trustees as "paramount".

The prime minister said that steps already taken to strengthen the law had required the trustees of pension funds to disclose more information to their members, as well as to pensioners and trade unions.

Mr Winston Churchill (C, Daventry) said that it was quite unacceptable that pensioners should be defrauded of pensions for which they had contributed throughout their entire working lives, as was the case with pensioners of Mirror Group Newspapers.

Mr Churchill urged Labour MPs by urging the prime minister to communicate with Mr Neil Kinnock, the Labour leader, at the fact that his, and his party's, principal supporter should "turn out to be a crook".

Mr Major said he was unable to comment on MGN's pension fund because it was under examination by the Serious Fraud Office.

After reminding the House that the government had

"greatly tightened" the protection of pension funds over recent years he said: "Nothing, of course, can be complete proof against criminality".

Tory MPs jeered Mr Peter Hain (Lab, Neath) when he said the future of the Daily Mirror was now "in the hands of City spivs and business tycoons".

He asked if the prime minister agreed that citizens' rights were best protected by pluralistic ownership of the press, or did he want every tabloid paper to be a supporter of the Tory party?

Mr David Shaw (C, Dover) asked if the official government solicitor "could step in, remove the trustees of the fund, who have been shown to be totally useless, and obtain

world-wide freezing orders on all the assets and money of the Maxwell family trust companies and the Maxwell family companies worldwide".

He also urged foreign secretary Douglas Hurd or Chancellor Norman Lamont to comment on "the massive amount of income tax and capital gains tax that the UK has been defrauded of by means of the Liechtenstein family trust that has managed to deal over the years in other people's money, free of tax, and the British taxpayer has lost millions of pounds."

Mr Major again refused to comment on matters affecting MGN.

Ivor Owen

Family may become a riches-to-rags story

ON Wednesday evening Mr Kevin Maxwell, chairman of the Robert Maxwell Group, was planning to fly to New York in the company Gulfstream jet to visit the Daily Post. Scandal followed so fast that the trip never happened. Now it seems unlikely that it ever will - at least on the luxurious jet, call sign GO-VIP, which Kevin's father, Robert Maxwell, used to rampage around the world in search of deals and influence.

The aircraft, the helicopter used to get to it and a range of businesses in which the family had a financial stake are now all under the control of Mr John Talbot, the administrator from Arthur Andersen.

The pile of private interests includes the lease of Headington Hill Hall, the Maxwell family home. The large yellow brick and stone Victorian mansion, outbuildings and fifteen acres of land is leased by Oxford City Council to a Maxwell company PHL Estates Ltd and is managed by a Maxwell holding company, Headington Investments. The current 99-

year recurring lease was originally granted in 1978 to Pergamon Press, another Maxwell company, which was sold off last year.

The council said last night that if Headington Hill Hall was put into receivership, receivers would have to gain permission from the council for a reassignment of the property before attempting to realise its value.

It would not comment on the current value of the remaining lease, but one leading local estate agent estimated that the buildings and the grounds together could be worth at least £1m.

When Mr Talbot has finished his work realising assets to try to pay off the pressing debts there may be very little left for Kevin and Ian Maxwell and the rest of the Maxwell family.

The view of one former senior executive, however, was that the Maxwell family will not come out of the crisis poverty stricken. He said: "Private financial arrangements involving the Maxwell family have always been very com-

plex... I would imagine that over the years, reasonable income has enabled the children to make investments in private trusts that could continue to generate income."

Of the seven children, Ian and Kevin clearly have the most to lose as they were the most intimately linked to their father's business empire. However, their precise earnings from this link is impossible to quantify with precision.

The companies in which one or other of the brothers earned substantial salaries as senior executives include the two key companies in the Maxwell family empire, Headington Investments and Robert Maxwell Group - now under administration - and the two public companies, Mirror Group Newspapers and Maxwell Communication Corporation, whose ownership now looks likely to change.

1991 published accounts for MCC show that the highest paid salaries of members of the board ranged from £160,000 to £230,000 per annum. The prospectus for Mirror Group

Newspapers published earlier this year states that the remuneration of its directors shall not exceed in aggregate the sum of £250,000 per annum "or such greater sum as the Company may by ordinary resolution from time to time determine".

The decline in the personal fortunes of Mr Kevin and Mr Ian Maxwell was symbolised this week when they left the plush ninth floor where Robert Maxwell once held court and where his butler Joseph still dispenses gin and tonics. The office with the enormous desk and chair is untouched and is still called "RM's office".

Kevin and Ian have had to leave all that behind and are now on the sixth floor - the home of the private companies. Since their resignations on Tuesday as chairman and chief executive of Maxwell Communication Corporation (Kevin) and Mirror Group Newspapers (Ian) because of conflicts of interest, it is believed Chinese walls have come down. Neither

brother has access to MCC or MGN decision making or papers.

For a time Kevin and Ian Maxwell will be busy helping the administrator and the Serious Fraud Office over the tangled financial affairs left by their father. When the sorry affair has run its course it is possible that they could be unemployed, although it is unlikely they will be completely impoverished.

Since their father's death a month ago they have fought the bush fires that have broken out in his network of interconnected businesses but they have apparently been unhelped by them. The rest of the Maxwell family have maintained a low profile throughout, but they are unlikely to remain untouched by the financial fallout of this week's crisis.

The eldest Maxwell child, Anne, is a teacher. The second son Philip is a physicist. Two twin daughters Christine and Isabel are both married and have been working for Maxwell subsidiaries in the US. The only unmarried child is Gish-



Happy days: Robert Maxwell with his wife Betty (centre), son Kevin (chairman of the Robert Maxwell Group) and daughters Anne and Isabel

laine, the most glamorous, best known and youngest of the daughters.

Three years ago, Gishlaine, with the blessing of her father, set up Maxwell Corporate Gifts, a corporate gift business which published catalogues and sold items ranging from pocket diaries to photograph frames. Gishlaine has not been

seen in public since her father's funeral, and yesterday the telephone at her London office went unanswered.

Mr Robert Maxwell often boasted that his children would make their own way of life and "would not inherit a penny". It seems unlikely, however, that he could have foreseen the manner in which

his family would have to suffer the consequences of his business practices. The Maxwell family saga was once a riches-to-rags story. Now the prospect is of a tale bordering more on riches to rags.

Jimmy Burns and Raymond Snoddy

INTERNATIONAL COMPANIES AND FINANCE

Deutsche Bank operating profits climb to DM5.2bn

By David Waller in Düsseldorf

DEUTSCHE Bank, Germany's largest bank, yesterday reported group operating profits rose to DM5.2bn (\$3.25bn) in the first 10 months of the year.

This is a 21.7 per cent improvement when compared with the previous corresponding period on an annualised basis.

Mr Hilmar Kopper, the bank's chief executive, said the bank would be able to present a "good result" for the full year.

The result was broadly in line with analysts' expectations and shows the extent to which Germany's banking sector is so far immune from the profit downturn afflicting industrial companies.

The result reflects relatively high interest rates in Germany and buoyant demand for credit from industry and private customers.

Mr Kopper said the growth was driven by all the bank's

main earnings areas, but the majority of the increase came from a strong rise in interest income. This climbed by 15.3 per cent to DM8.7bn for 10 months.

An important contribution to the result came from the bank's account trading activities. Partial operating profits, which are calculated before the trading result, grew by only 9.1 per cent to DM4.1bn for the 10 months. Staff and other operating expenses rose by a total of 14.1 per cent for the group, reflecting costs associated with the bank's aggressive expansion into eastern Germany. This factor was more pronounced at the parent bank where staff expenses climbed by 16.9 per cent and operating expenses by 23.1 per cent.

Commenting on the bank's exposure to the repayment crisis in the Soviet Union, Mr Kopper insisted the bank's total exposure was considerably less than the

DM5bn frequently cited by analysts. He declined to give an exact figure, but said the bank's unsecured exposure was less than it had been in Brazil in 1982, which was about DM1.4bn.

Deutsche Bank has made provisions of 65 to 70 per cent against the uninsured Soviet exposure, Mr Kopper said, a decision whether to increase this further would be taken later in the year.

Group credit volume rose by 7 per cent to DM292.5bn. Lending to corporate customers increased by DM11.1bn to DM144.5bn, while private customer borrowing rose by DM5.5bn to DM91.7bn.

Net commission income for the group rose by 4.2 per cent to DM3.1bn. Deutsche Bank said that excluding the cost incurred by the branches in the eastern part of Germany the increase in staff operating expenses was 9.8 per cent for the group and 9.2 per cent for the parent company.

Buoyant Baltica improves to DKr849m

Hilary Barnes in Copenhagen

BALTICA Holding, which heads the Baltica insurance and financial services group, yesterday announced a DKr849m (\$136.9m) net profit for the first nine months of the year, compared with a loss of DKr710m in the previous corresponding period.

The pre-tax result was virtually unchanged at DKr906m and group net capital was reduced from DKr6.61bn to DKr6.07bn.

The group forecast a whole-year result giving a net profit equal to the current market return on capital, which analysts interpreted as a profit of DKr906m to DKr900m.

In 1990, the group reported a loss of DKr2.4bn which was mainly a reflection of lower values for investments abroad and substantial goodwill write-offs.

The nine-month result this year included a DKr250m gain on the value of its investments in Compagnie Financière de Suez and Hambro's Bank.

Profits from the insurance business were said to be satisfactory. Earnings from accident insurance increased from DKr364m to DKr400m and on life business from DKr192m to DKr377m.

Baltica Bank improved profits to DKr50m from DKr38m.

Optimistic forecast for Fortis

THE OPERATING profit of Fortis, the Belgian-Dutch insurance group, should rise between 9 and 10 per cent this year, according to Mr Maurice Lippens, the chairman of Cie Financière et de Reassurance du Groupe, the Belgian partner in the venture. Reuter reports from Brussels.

"The operating results will be up between 9 and 10 per cent, but the net profit will be at least equal to last year's figure due to the fact that realised capital gains will be lower," he said.

Step forward for French investors

FIR treatment for small investors in French companies took one step forward and one step back yesterday.

The step forward came not thanks to the Paris stock exchange authorities, but Italy's Agnelli family. In International (IFI) an Agnelli vehicle, yesterday extended a two-thirds bid for Exor, the holding company which controls the Source Perrier mineral water concern, to include all the shares despite not having any obligation under French takeover rules to do so.

If fully accepted, this will cost IFI an extra FF1.8bn (\$329m), a gesture in response to intense public criticism that the original two-thirds bid was unfair to minority Exor investors.

This comes as minority shareholders across continental Europe are clamouring for equal treatment.

The Agnelli bid upset the Paris banking establishment, which has nearly as much control over what goes on in French industry as does its German counterpart - by failing to consult its usual merchant bank and Exor's and Perrier's big institutional shareholders. Some shareholders are influential bodies, such as the Suez financial and industrial conglomerate and Crédit Agricole, the agricultural co-operative bank.

The Agnelli's behaviour, described as "gentlemanly" by a stockbroker, contrasts with the conduct of a separate battle which has ended with a setback for minorities. This is the bid by the Pinault timber-furniture retailing group for control of Au Printemps, owner of the Parisian department store, a mail order business and a supermarket chain.

Pinault has been criticised for making a two-thirds rather than a full offer and for juggling with voting rights. Unlike the Agnelli, Pinault is proceeding regardless.



Concern: Pierre Bérégovoy, French Finance Minister

William Dawkins sets the extended bid for Exor by IFI International, the Agnelli family vehicle, against the background of the controversy which is brewing in France over the rights of minority shareholders.

Mr Micha Spierenburg, president of S.G. Warburg France, says: "The Italian group's attitude compares favourably with the less generous attitude of the Pinault group." A change in the rules, formally the government's business, requires "a change in the culture of this country away from the bank industry approach to a more transparent system, where the rights of shareholders, especially minorities, are given the weight they deserve", he says.

Minority investors in Au Printemps had hoped Pinault would come under pressure from the Conseil des Bourses de Valeurs (CBV), the stock market regulator, which yesterday concluded its routine examination of both bids.

Instead, the CBV gave Pinault and IFI the all-clear and noted the Agnelli's gesture. This non-committal response from the CBV drew criticism from stockbrokers across Paris. They contrasted it with the rigorous attitude taken the day before by a Belgian court, which ordered Accor, the French hotels group to increase its offer for Wagone-Lits, the Franco-Belgian travel company, to give minority shareholders equal treatment.

One broker said: "It's not good for the Paris market. Investors will ask themselves why they should invest here if

they risk being treated like that." Another said: "Clearly, Pinault has been observing the letter but not the spirit of the law." A group of Au Printemps shareholders plans a legal appeal on the CBV's ruling.

All this highlights the delicate balancing act that the CBV has carried out as it worked towards a clear application of French takeover rules, introduced in 1982. These hold that a company buying alone or in concert - more than one-third of the shares in another group must launch a bid for two-thirds of the equity. A bidder is not obliged to offer to buy all the shares until the 50 per cent threshold is passed, in contrast to the UK system, in which a full bid is triggered at 30 per cent.

Minority shareholders in a company subject to a two-thirds bid cannot hope to sell all their shares to the bidder, a difficulty not faced by shareholders who sold to the prospective bidder before the acquisition was launched. The Swiss holding group which bought the French company to breach the 33 per cent threshold in Au Printemps, got better treatment than other shareholders, the argument goes.

The ultimate arbiter is Mr Pierre Bérégovoy, the finance minister, who admitted last week that he was "convinced" about takeover rules. "There is certainly no perfect regulation which can satisfy all interests, which are often divergent," he said. He says there must be a balance between removing unnecessary barriers to takeovers and preventing overt changes of control.

He does not plan changes to the system until the CBV and quoted companies agree what they want. Mr Bérégovoy sees no sign of a consensus, but the conduct of takeovers is likely to be the subject of intense debate between French stock exchange authorities and companies in the months ahead.

Wagon-Lits bid request

THE BRUSSELS commercial court yesterday asked Accor to extend its FF2.2bn (\$400m) bid for Wagon-Lits, the Franco-Belgian travel group, by 10 days, following its Wednesday ruling that the French hotels group should lift the offer for the outstanding shares to FF3.5bn, writes Andrew Hill.

Institutional investors asked the court to force an extension of the bid to allow the outstanding minority shareholders - who hold about 40 per cent of Wagon-Lits shares - to consider the new situation. Accor said it had not been told about the latest pronouncement.

Volvo expects consultation from Renault

By William Dawkins in Paris

VOLVO, the Swedish car-maker, said yesterday it expected to be consulted on the successor to Mr Raymond Lévy for the chairmanship of Renault, the French state-controlled public sector company. The three-year mandate of Mr Lévy and most French state industry chairmen come to an end in

June, when Mrs Edith Cresson, the prime minister, is expected to ask President François Mitterrand for wide changes.

Mr Lévy is likely to be asked to go, partly because the recent Renault strike has made the government feel management changes are needed there. Mr

Lévy will reach 65, the retirement age, anyway in June. Mr Gyllenhammar told Renault, a French magazine, yesterday the strike had also worried him, but that the alliance with Renault - agreed in February 1989 - had produced better than expected results.

Mr Gyllenhammar, Volvo's chairman, is controversial because the French government normally decides who to appoint as chairman of public sector companies. The three-year mandate of Mr Lévy and most French state industry chairmen come to an end in

This announcement appears as a matter of record only.

November 12, 1991

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ISTITUTO PER LA RICOSTRUZIONE INDUSTRIALE

PROCEDURE FOR THE PRESENTATION OF OFFERS TO PURCHASE THE MAJORITY SHAREHOLDING IN CEMENTIR OWNED BY IRI

Istituto per la Ricostruzione Industriale ("IRI"), whose legal and administrative headquarters are located in Rome, Via Vittorio Veneto 89, intends to invite and evaluate offers to purchase the entire shareholding held by IRI (the "shareholding") in Cementir - Cementerie del Tirreno S.p.A. ("Cementir"). Such shareholding consists of 88,027,545 shares of par value Lit. 1,000 each and accounts for 51.78% of Cementir's share capital.

IRI will not consider any offer to purchase only part of the shareholding.

Cementir is an Italian cement manufacturer listed on the Genoa, Milan, Naples and Rome Stock Exchanges. For the financial year ended 31st December, 1990 Cementir reported sales revenues of approximately Lit. 326,000,000,000.

IRI has appointed Samuel Montagu & Co. Limited ("Samuel Montagu") as its advisers and persons interested in acquiring the shareholding, which must be corporations or other organisations whose net worth - or equivalent - at the date of the most recent audited or otherwise approved financial statements amounted to not less than Lit. 30,000,000,000 and who wish to obtain information and draft supporting documentation, must submit a written request to Samuel Montagu at the following address:

Samuel Montagu & Co. Limited,

Corporate Finance,

10 Lower Thames Street,

London, EC3R 6AE

United Kingdom

Tel: 44-71-260 9000

Fax: 44-71-623 5512/621 1831

Persons to be contacted:

Christopher Clarke: 44-71-260 9320

(to whom letters should be addressed)

Patricia Hudson: 44-71-260 9394

Marco Morelli: 44-71-260 9553

Edward Williams: 44-71-260 0137

Interested parties who contact Samuel Montagu and who are considered suitable potential purchasers will be required to supply certain information to Samuel Montagu and will be required to sign a confidentiality agreement before they are provided with information.

IRI reserves the right not to send information and draft supporting documentation to any prospective purchaser.

This invitation and the receipt of any offers does not create an obligation or commitment on the part of IRI to sell the shareholding. IRI reserves the right to accept any offer without entering into negotiations with the prospective purchaser. Negotiations should not be regarded as being exclusive.

The Cementir shares owned by IRI have not been registered under the United States Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from such registration.

Potential purchasers should note that the shareholding can be acquired only in denominations of, or for a purchase price of, the equivalent of not less than DM 80,000.

This advertisement has been issued by IRI and approved for distribution in the United Kingdom for the purposes of Section 57 of the United Kingdom Financial Services Act 1986 by Samuel Montagu, a member of the SFA. This advertisement does not constitute an offer for the sale of any securities or interests in Cementir.

6th December, 1991

RAND MINES LIMITED

From the Statement by the Chairman, D T Watt, for the year ended 30 September 1991

Planning for the future with renewed confidence and free of debt

REVIEW

The 1991 financial year was one of the most challenging in the history of the Rand Mines Group and saw the implementation of a far-reaching restructuring programme designed to address a series of major and highly complicated problems which had developed in the recent past.

I am most hopeful that the programme which has been an important component of our recent activities and which is nearing an end will enable the company to plan for the future, free of debt and with renewed confidence.

Because of the great impact of these events on the company, they are dealt with in the following paragraphs:

Barbrook Mines Limited

After careful consideration, the operations of the Barbrook Mine were terminated during December 1990 and the mine placed on a care-and-maintenance basis. Rand Mines assumed the responsibility for the repayment by Barbrook of bank loans.

At current gold price projections, the mine will not re-open in the foreseeable future. However, various options are being considered and a final decision is expected to be taken in January 1992.

Platinum

The operations of Barplats Mines Limited, the owner of the Crocodile River and Kennedy's Vale mines, were rationalised with some of the operations of Impala Platinum Holdings Limited (Impplats).

Impplats acquired an effective interest of 38 percent in Barplats Investments Limited (Barplats) with effect from 21 May 1991, as well as management responsibility for the Barplats group of companies as from 21 June 1991. Rand Mines will continue to hold a significant 45 per cent interest in the Barplats group.

Increase in debt

As a result of the assumption by the company of debt amounting to R275 million incurred by Barbrook and the Barplats group, the company's total debt reached R312 million.

The cash proceeds arising from the disposal of the various investments, as outlined below, together with the reduction in the holding of the company's coal interests are being used to reduce borrowings. At 30 September 1991, the holding company's total debt stood at R87 million. It is expected that this debt will be liquidated in the first half of the 1992 financial year.

Disposals and Disinvestments

Lotzaba Forests Limited, a wholly-owned subsidiary, was sold to Seppi Limited, with effect from 22 July 1991, for a consideration of R150 million payable in 1994. This purchase consideration has largely been realised for a current cash value of R100 million.

Similarly, a substantial portion of the company's investment portfolio has already been sold, realising approximately R73 million. Portfolio profits for the year totalled R28.7 million.

Agreement, in principle, to enter into an agreement has been reached for the sale of the Group's chrome mining operations to companies within the Gemcor group. The amount to be realised by the Group from the sale is approximately R100 million. All risk and benefit in the companies and in the assets concerned passed to the purchaser with effect from 1 October 1991.

The vanadium production assets of Vansa Vanadium S.A. Limited were sold for R17.3 million during August 1991.

COAL

The operating coal interests of the company, valued at R290 million, were transferred to Witbank Colliery, Limited (Witbank) in exchange for additional shares. The company disposed of some of the new shares, reducing the holding in Witbank to 70.8 per cent.

GOLD

As a result of corrective action initiated early in the year, the Group's associated gold mines earned profits after tax of R48.1 million in the last six months.

GROUP RESULTS

Attributable profits for 1991, at R250 million, showed a 12 per cent improvement over those of the previous year. These profits included certain abnormal income of R68 million of which R28 million was attributable to the coal division. The attributable profits also include the sale of a significant portion of the investment portfolio, but profits from this source will be lower next year.

Extraordinary charges for the year of R735 million are primarily the net result of the write-offs and losses in respect of the company's investments in Barbrook and Barplats, offset partly by the profit on the sale of the shares in Witbank and the disposal of the forestry division.

DIVIDEND

In view of the fact that the company had significant borrowings at the year-end and in the interests of conserving cash, it has been deemed prudent to declare a substantially lower final dividend of 200 cents (1990: 440 cents) per share, which together with the reduced interim dividend of 100 cents (1990: 120 cents) per share declared in May 1991, results in total dividends for the year being 300 cents (1990: 560 cents) per share.

COMMUNITY INVESTMENT

In response to the deepening socio-economic crisis in South Africa, leading companies in the private sector will contribute R500 million over the next five years to the Private Sector Initiative.

With the participation and support of the communities concerned, this initiative will focus on major projects in education aimed at securing maximum benefit for disadvantaged people in the shortest possible time.

The Rand Mines Group is contributing approximately R12.8 million.

OUTLOOK FOR 1992

The 1992 financial year will essentially be one of consolidation and accommodation to the rationalisation and restructuring reported above. To all intents and purposes the company has become a 'coal-mining house'.

The company still has peripheral, but nevertheless important, interests in gold mining, property and management services.

Any increase in coal profit margins will depend primarily on the degree to which the rand softens relative to the US dollar.

Earnings from gold operations will depend on the prevailing real gold price and the extent to which costs can be contained.

The continuing slowdown in the property market will have a negative impact on the results of Rand Mines Properties.

It is forecast that attributable profits for 1992 will show a slight decline from results achieved in 1991.

Johannesburg
28 November 1991Notice of the Annual Meeting
of Members appears
elsewhere in this paper.(Incorporated in the
Republic of South Africa)
Registration No. 014065806

INTERNATIONAL COMPANIES AND FINANCE

Zenith heads south of the border

Barbara Durr on a US television maker with Mexican factories

ZENITH Electronics may have to alter its boast that it is the last US manufacturer of televisions. By next year, virtually all of its television production will be located in Mexico.

The company, based in the Chicago suburbs, announced recently that it would shift the operations of its last US television final assembly plant in Springfield, Missouri, to Mexico, and that it would close its Taiwan plant for production of monochrome monitors and transfer those operations to Mexico as well. The moves consummate a 20-year trend.

The company began operations south of the Rio Grande in 1971 and with the exception of a US plant for large picture tubes, most operations are being consolidated in Mexico. Reflecting a global division of labour, what remains in the US is "all of our knowledge workers," says Mr Jerry Pearlman, chairman.

The cost savings of Mexican production, where hourly wages are only about a 10th of those in the US, have proved too critical to pass up for loss-making Zenith. "If the Mexican operations were in the US, our costs would be \$400m a year higher," Mr Pearlman said.

Such an expense would be unthinkable for the company which has been struggling against a tide of red ink since 1985. Under a stepped-up cost-cutting campaign since last year, it reduced operating costs in 1990 by \$38m and has

already cut them by another \$41m this year.

But that has not been enough to bring it into the black. By the end of the third quarter this year, losses had already piled up to \$2.1m, or \$1.83 a share, nearly double its losses of \$26.8m, or \$1.01 a share, for the corresponding period last year.

Analysts say that, while it has significant technology, Zenith has not been an efficient manufacturer. They view the consolidation in Mexico as positive.

While Mr Pearlman expects to have a better fourth quarter this year than in 1990, he said last year was "terrible". Analysts' estimates for the current quarter run to about 12 cents a share, while last year the company lost 94 cents a share.

Overall, Mr Pearlman said: "This year is going to be a big loss. And that's very unattractive."

Zenith's components, sold to the automobile, computer and cable television industries, which have all been in a recession, have done poorly this year. Consumer electronics, though, have fared better.

The company has been increasing market share on the high end of the television market during 1990 and 1991. Yet the difficulty of raising profitability lies in the industry's intense price competition. The market share battle is robbing all colour television manufacturers of margins in the US.

The outlook does not seem

brighter on this score, and consequently Zenith has placed a bet on developing high definition products, including a complete HDTV system and flat tension mask monitors.

The company hopes to be able to win the horse race for setting the American HDTV standard. The Federal Communications Commission is scheduled to decide the winner in the second quarter of 1992. Besides Zenith, which is teamed with American Telephone & Telegraph (AT&T) and Scientific Atlanta, four other contenders are competing. These are the Massachusetts Institute of Technology, NHK, the Japanese government-owned broadcasting company, General Instrument Corporation, and a consortium of France's Thomson, Philips of the Netherlands, NBC and the David Sarnoff Research Center - which will present two systems.

Zenith has invested about \$20m in its own system, digital spectrum compatible HDTV.

It believes that the US should make one leap into HDTV rather than engage in a two-step process which is being debated in the Europe and implemented in Japan.

The company claims its system can use modified conventional television equipment as a transition to full digital systems.

Zenith says its more advanced HDTV set would be priced at a fraction of Japan's \$30,000 model, which uses intermedi-

ate technology and is available now.

Even if Zenith does not win the HDTV standards competition, it believes its investment has been "a good gamble of the shareholders' money," said Mr Pearlman. He contends that Zenith's work on HDTV will have eventual pay-offs, through participation in eventual manufacturing of HDTVs and/or through setting new standards for digital compression and transmission in cable. Zenith and Scientific Atlanta are submitting a joint bid this week to develop that technology for a group of cable companies.

Its flat tension masks (FTMs), considered by many to be the more important product emerging from Zenith's high-definition research, are also expected to establish new standards. They take the glare from picture tube television or computer screens, considerably easing eye strain.

These are already being sold to some computer-makers and the US military, and could become the model for HDTV. If FTMs catch on, Zenith will at last have a less price-sensitive product.

But for now, the problem for Mr Pearlman is that his current markets are "price-squeezed" and the prospect of actual earnings from HDTV are at best three years away. But as analyst Maynard Brandon of Duff & Phelps puts it: "If they're successful, they'll be pretty interesting."

IBM's global overhaul aims at agility

By Louise Kehoe in San Francisco

INTERNATIONAL Business Machines' personal computer, data storage and printer groups are to be the models for a drastic overhaul of all the computer giant's worldwide operations. The company aims to transform itself into an organisation of increasingly autonomous business units.

Management and organisation changes announced yesterday include the formation of subsidiary companies representing IBM's global data storage and printer product lines and certain personal operations in the US.

Organisations will be on the leading edge of the changes," said Mr John Akers, chairman.

He also, however, instituted management changes and a new system for measuring the success of individual business units, based on their financial performance that will apply to all IBM's businesses. IBM's personal computer side will undergo more rapid change than most other main segments of IBM's business.

A new worldwide personal computer management team has been formed, personal computer development has been restructured, and responsibility for manufacturing of personal computers and workstations has been assumed by the personal systems business unit.

"These changes will allow us to anticipate changing market conditions faster and more quickly make the necessary business commitments to lead the marketplace," said Mr James Cannavino, IBM's vice-president and general



John Akers: units will be faster and closer to the markets they serve

manager of personal systems, who is heading the newly-structured group.

The new personal computer development organisation, called Entry Systems Technology, has been formed to increase efficiency in developing future subsystems and technologies.

This group will be highly independent, eliminating much of the bureaucracy that currently hampers personal computer product development, said Mr Akers.

IBM also announced that its printer business would be spun off into an independent unit, Penant Systems, with responsibility for developing and manufacturing printers and related software. The printer unit is currently a \$2bn business in a \$30bn market, IBM said.

IBM's storage products side, which includes a wide range of computer disk drive and other data storage products, will also

become a stand-alone subsidiary. This unit is currently an \$11bn business in a \$38bn market, IBM said.

The storage products subsidiary, which has yet to be named, will be based in San Jose, California.

A third subsidiary, Employment Solutions Corporation, will be formed to provide selected hiring and recruiting services to IBM in the US.

It also intends to market these services to other companies.

Changes within IBM's mid-range computer side include the appointment of brand managers for the AS/400 product line in each of IBM's main regional units, worldwide. Many countries will form dedicated marketing organisations to focus on this product line.

IBM also announced the establishment of an executive steering committee to oversee working relationships among the various parts of IBM's mainframe computer business.

Throughout the company, there will be new management and measurement systems designed to give individual business units more autonomy and accountability to optimise their respective markets, Mr Akers said. These will vary from market to market.

"However, certain principles will apply to all," said Mr Akers, "including individual reporting of financial results from IBM's main businesses, compensation tied more directly to each unit's performance, and operational changes that will inject more market discipline into the relationships between IBM's business units."

"IBM's marketing and services companies increasingly will become service companies in the true sense of the word," Mr Akers said, "creating value for customers through their knowledge and skills, and depending less, over time, on product cycles and hardware volumes for their prosperity."

As each manufacturing and development business is different, the degrees of independence will differ, Mr Akers said.

"We expect these more independent businesses will make better investment decisions because they are more self-reliant and closer to the markets they choose to serve."

"The IBM Corporation will have increased flexibility to manage the portfolio of businesses and focus on pursuing promising growth markets, investing or divesting to maximise IBM's overall financial results," Mr Akers said.

Navistar suffers loss of \$67m

By Martin Dickson in New York

NAVISTAR International, the leading North American manufacturer of medium and heavy trucks, yesterday reported a fourth-quarter loss of \$67m. It also said it expected to report a loss in the first quarter of 1992.

The group, hit hard by weak demand for trucks as the US and Canadian economies struggled with recession, said its fourth-quarter sales were the lowest for any quarter in 1991. Its loss worked through at 28 cents a share, on sales and revenues of \$817m, compared with a loss of \$7m, or 6 cents a

share, on sales of \$971m in the fourth quarter of 1990.

For the full year to October 31, it lost \$165m, or 77 cents a share, compared with \$11m, or 18 cents, in 1990.

Revenues were down 10 per cent to \$846m. The company forecast that demand for medium trucks in the US and Canada for fiscal 1992 would be 121,000 units, about level with 1991, while demand for heavy trucks would rise 8 per cent to 119,000. However, Navistar expected its first-quarter truck production

to be 3 per cent lower than the same period of last year, leading to a loss.

The company added that it would have to recognize a \$1.5bn to \$2.5bn liability when it adopted a new US accounting standard for the non-person benefits of retirees. All US companies have to adopt the standard by 1993.

Navistar said if it amortised the obligation over 20 years, as the rules permit, this would increase annual pre-tax expenses by between \$76m and \$200m.

Brooke Bond India legal move

BROOKE Bond India, part of the Anglo-Dutch group Unilever, has filed a petition in the Bombay High Court seeking to restrain Mr Vijay Malviya's US Group from selling its food processing business to Nestlé India. Brooke Bond claims it had agreed to buy it, writes Gita Piramall.

Brooke Bond India said it had negotiated a \$470m (\$2.71m) deal to purchase Mr Malviya's 67 per cent stake in three months in July.

Mr Malviya has indicated an initial downpayment of Rs20m, it said.

Notice to holders of
Bankers Trust International PLC
(formerly Bankers Trust International Limited)
400,000 Warrants to acquire Ordinary Shares of
Société Nationale Elf Aquitaine

NOTICE IS HEREBY GIVEN that at an Extraordinary General Meeting of Société Nationale Elf Aquitaine ("ENF") held on 25th July, 1990, the shareholders of ENF resolved, inter alia:-

(a) to increase the nominal value of each ordinary share from 10 French francs (FF 10) to 100 French francs (FF 100) by the incorporation of reserves; and

(b) to divide each such ordinary share of one hundred French francs (FF 100) nominal value into 2 ordinary shares of fifty French francs (FF 50) nominal value each.

In accordance with Condition 7(b) of the above-mentioned warrants (the "Warrants") the Entitlement (as defined in Condition 7 of the Warrants) of each Warrant has been increased from one Elf Share to two Elf Shares. This increased Entitlement became effective on 23rd November, 1990.

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December 6, 1991 London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

U.S. \$125,000,000

GREAT LAKES FEDERAL SAVINGS

Collateralized Floating Rate Notes
Series A due December 1997

In accordance with the provisions of the Notes, notice is hereby given that for the three months interest period from December 6, 1991 to March 6, 1992 the Notes will carry an interest rate of 5 1/4% per annum. The interest payable on the relevant payment date, March 6, 1992 will be U.S. \$1,342.88 per U.S. \$100,000 principal amount of Notes.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

December 6, 1991

DEN DANSKE BANK
(originally issued in the name of Provisbank A/S)

U.S. \$60,000,000
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For the six month period
6th December, 1991 to 8th June, 1992

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 3 1/4 per cent. per annum, and that the interest payable on the relevant interest payment date, 8th June, 1992, against Coupon No. 13 will be U.S. \$134.90.

S.G. Warburg & Co. Ltd.
Agent Bank

US\$125,000,000
First Chicago Corporation

Floating Rate Subordinated Capital Notes Due December 1996

Notice is hereby given that the Rate of Interest has been fixed at 5.1250% and that the interest payable on the relevant interest payment date, March 6, 1992, against Coupon No. 21 in respect of US\$100,000 nominal of the Notes will be US\$1,295.49.

December 6, 1991, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

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Interest payable on 8th June 1992 will amount to US\$255.02 per US\$100,000 Note and US\$3,375.43 per US\$250,000 Note.

Chartered WestLB Limited
Agent Bank

مكتبات الصحف

INTERNATIONAL CAPITAL MARKETS

Russian banking pillars shake but still stand

Leyla Boulton reports on the survival plans being prepared for the troubled industry

BANKING in Russia is like Russian roulette, says Mr Dmitry Tulin, deputy chairman of Russia's central bank, recently, citing the risky nature of commercial banking there.

This description could well apply to the whole banking system in the former USSR - as dramatically underlined by the Soviet Union's suspension yesterday of principal payments on debts to all western banks.

Following the collapse of central authority following the August coup, the twin pillars of Soviet state banking, Gosbank, the central bank, and Vnesheconombank, the bank which services the Soviet foreign debt, are still standing.

But only just: the backdrop of financial chaos features a plunging rouble, rapid inflation, big budget deficits, servicing difficulties, and plans by republics to introduce their own currencies.

The survival of Vnesheconombank, whose already dented reputation as a reliable payer collapsed this week, will depend on the republics' ability to provide it with hard currency to carry out its job as debt manager.

Republican leaders removed a big obstacle to honouring their side of a debt relief bargain with the Group of Seven industrialised nations when they finalised an agreement allocating to each a fixed percentage of Soviet assets and liabilities.

However, the problems of Vnesheconombank - which cited the G7 agreement to justify its unilateral suspension of principal repayments - may only just be starting.

Confronted with a flat refusal by the west to allow them to service the debt independently, eight republics have reluctantly accepted the principle of channelling debt servicing through one agent (four others have yet to formally join the agreement).

But in their quest to build up their own banking systems, accumulate their own reserves, and cushion their populations with imports at a time of radical reforms, debt servicing is the last thing republics want to spend their hard currency on.

The eight, who may now be joined by Ukraine, Azerbaijan,



Viktor Gerashchenko, Chairman of Gosbank, toasts the future of banking

Georgia and Uzbekistan, signed the agreement only because of a warning by the G7 that their creditworthiness would otherwise sink to zero and new credits would be difficult to come by.

Should the "joint and several" responsibility of the republics collapse, Russia has said it will take on the debt, tailoring Vnesheconombank to its own needs.

Even if the joint approach sticks, Vnesheconombank will still undergo changes as a result of plans to turn it into a joint-stock bank, with each republic holding voting rights proportionate to their stakes in the bank. But, in the meantime, Vnesheconombank has been instructed to re-register with Russian authorities.

One positive development is that it is already rapidly losing its other role as the main bank for foreign trade. The erratic service resulting from the overlapping of its functions as debt manager and commercial bank has resulted in a desperate search by republics, under prizes and foreign partners for alternatives.

As its purpose becomes more narrowly defined, Vnesheconombank is also shedding its role as cashier to bankrupt state organisations, such as Soviet railways, which as a result announced they could sell any train tickets for travel outside the Soviet Union from January 1.

Russia is also taking the lead

Mr Viktor Gerashchenko, the Gosbank chairman who was dismissed in August but reinstated three days later, said in an interview this week he believed the Russian government's decision to condemn his bank to extinction in a month's time was just "a war cry".

The main obstacle for Russia so far, though, has not been a lack of serious intention, but the absence of means to carry out its plans. Leaving aside the fact it does not have a hard currency stabilisation fund to introduce partial convertibility, it does not even have a central bank governor it can work with.

The Russian leadership wants Mr Boris Fyodorov, the former Russian finance minister who now works for the European Bank for Reconstruction and Development, in the job.

Although the appointment of Mr Fyodorov would greatly enhance the authority of the bank and foreign confidence in President Boris Yeltsin's reforms, the job is not yet vacant.

To get around legislation stipulating that the central bank governor can only be removed with parliament's consent, the government has used typically Russian tactics to try to unseat Mr Goryunov Matukhin, the current chairman who enjoys the patronage of the parliament's powerful speaker.

It has said it will replace Mr Matukhin's bank with a new institution called State Bank of Russia, and President Yeltsin has announced Mr Matukhin of violating his parliament mandate to keep a lid on inflation and the budget deficit.

This issue will only be resolved after a showdown with the parliament on this and a host of other economic issues.

Mr Gerashchenko may be right in believing that Ukraine, which voted massively for independence on Sunday, will not carry through plans to introduce its own currency by the summer.

But the republic has already received from France a consignment of coupons which it plans to introduce as quasi-money to protect its food supplies when Russia liberalises prices over the next month.

This alone could serve as an excuse for Russia to introduce its own currency, even though real Ukrainian banknotes will only be ready in May.

The Ukrainian rationale for shunning a shared central banking system and currency was summed up by Mr Oleksandr Savchenko, deputy chairman of the Ukrainian national bank, who said before the independence vote: "Nobody will take us seriously if we don't have our own currency." But this plan, too, is confronted with practical difficulties and doubts among experts about rushing the plan.

"I believe we need at least a year of good preparation before we introduce a Ukrainian currency," said Mr Igor Mitnikov, head of the international division of the republic's biggest commercial bank, Ukraina Bank. "We have no right to act in such a way that the hryvnia will have the same fate as the rouble."

In an interview before the independence vote, he suggested that the parliament was wrong to push the government to introduce the currency as soon as possible. "When you're ill you don't go to parliament, you go to see a specialist."

Many fear that the first casualty of a plethora of Russian currencies will be trade, with Mr Gerashchenko warning that Soviet republics will face a collapse in trade similar to that experienced by the Soviet Union and eastern Europe when the "transferable rouble" was abandoned as a unit of account, together with the ending of the Soviet-led trading organisation Comecon.

As republics desperately try to save themselves, they may be making the situation worse, but in the present chaos they feel they have no choice.

The answer is spelled out by Mr Fyodorov, who is already working as a part-time consultant for the Russian government. "The only way to mitigate this is to go faster to a market economy so that relations are on economic terms rather than political terms."

Things will then be a question of price rather than the special policy of this or that republic.

EIB launches \$500m deal but cuts underwriting fees

By Simon London

THE European Investment Bank (EIB) yesterday launched its \$500m deal in the international bond market, sparking controversy by further paring the fees paid to underwriters.

The 10-year bonds carry a 7.5 per cent coupon and were priced to yield 25 basis points more than US Treasury securities.

This was initially considered tight by market participants, but strong demand from European and Far Eastern institutional investors left most participants short of paper. The yield spread had tightened to 22 basis points by the close of trading.

ABN Amro, the Dutch bank, was the surprise winner of the mandate to lead-manage the deal following a competitive bidding process among leading firms.

The deal was the bank's first large Eurodollar new issue mandate for two years. It won the bidding process by agreeing to lead manage the deal for fees of just 12.5 basis points, compared with standard fees of 25 basis points for a deal of this maturity. By working for lower fees, ABN Amro offered the EIB a cost saving of around \$1m.

While there is no formal agreement among underwriters as to the correct level of fees for any given type of transaction, leading firms have

While big supranational borrowers dominated the international bond market yesterday, Telebras, the Brazilian state-owned telephone company, made a cautious return.

The company just launched its second Eurodollar bond offering, a conservative \$100m two-year deal lead-managed by Salomon Brothers.

The deal was much less ambitious than the company's first offering in the international bond market, a \$300m Eurodollar issue with an average life of 3.5 years, in September, at a yield spread of 4.9 per cent more than US Treasury paper.

The bonds issued yesterday were priced to yield 5.85 per cent more than one-year US Treasury bills.

Participants reported firm demand for the shorter-dated higher yielding bonds following a period when demand for Latin American bonds has been subdued.

Nafinsa, the Mexican state financing agency, was also in the market yesterday, launching a \$100m five-year deal linked to the Mexican stock exchange. Lead-managed by Bankers Trust, the issue offers bonds paying a 6 per cent coupon and warrants on the stock exchange.

Participants in the deal said institutional demand within Europe was strong, while the lead manager reported buying from several central banks. The deal traded up to 10.10 during the day before settling back to 10.02 bid by the close.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
ABN Amro	500	7 1/2	99.55	2001	2 1/4	ABN Amro
Telebras (Braz)	100	10	100.00	1998	1 1/2	Salomon Bros.
Telebras (Braz)	100	10 1/4	100.00	1998	1 1/2	Salomon Bros.
Telebras (Braz)	100	10 1/4	101.14	1997	1 1/2	Salomon Bros.
Telebras (Braz)	100	10 1/4	101.14	2001	1 1/2	Salomon Bros.
YEN						
YEN Bank (Jap)	800m	6	101	1998	25/100	Nikko Euro
YEN Bank (Jap)	300m	6 1/4	101.45	1999	1 1/2	Nomura Int.
D-MARKS						
Rabobank Nederland (Neth)	250	8 1/4	102 1/2	2001	2 1/4	Schweitzer & Co.
SWISS FRANKS						
Nippon Denki (Jap)	35	4 1/4	100	1998	-	UBS
Nippon Denki (Jap)	10	4 1/4	100	1998	-	Mitsubishi Bk (Switz)

*Private placement. *Convertible. *With equity warrants. *Floating rate note. *Final terms. *Non-callable. *Put option after 1 year at par. *Coupon payable semi-annually. *Callable 10/12/94 at par. *Coupon pays 500p over 6-month Libor for first 3 years, then fixed at 8 1/4%. *Fungible with existing YEN deal. *Non-callable. *Put option 3/12/94 at 109 1/2% to yield 8.566%. *Coupon pays 0.4% over 6-month Libor. *Non-callable.

LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY		Rises		Falls		Same	
Index	Value	Index	Value	Index	Value	Index	Value
British Index	210.67	1000 Index	1,067.21	1000 Index	1,475.00		
Other Index	12.00						
Financial & Property	24.315						
Oil & Gas	6.37						
Platinum	13.56						
Others	8.45						

LONDON RECENT ISSUES

Issue	Amount	Price	Yield	Rating	Notes
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC

FIXED INTEREST STOCKS

Issue	Amount	Price	Yield	Rating	Notes
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC

RIGHTS OFFERS

Issue	Amount	Price	Yield	Rating	Notes
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC

TRADITIONAL OPTION 3-MONTH call rates

Issue	Amount	Price	Yield	Rating	Notes
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC
1000 F.P.	1000	102.10	10.00	A+	Barclays Bank PLC

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS		Thursday December 5 1991						Wed Dec 4		Tue Dec 3		Mon Dec 2	
AND SUB-SECTIONS													
Figures in parentheses show number of stocks per section													
	Index No.	Day's Change %	Est. Earnings Yield (%)	Gross Div. Yield (%)	Est. P/E Ratio	Ind. Int'l. 1991 to date	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.
1	CAPITAL GOODS (179)	723.13	-0.8	9.44	6.75	13.55	41.34	723.92	734.48	736.06			
2	Building Materials (23)	854.55	-0.1	8.16	7.29	16.55	41.75	858.77	867.68	868.93			
3	Contracting, Construction (29)	900.97	-0.6	8.31	8.40	17.64	51.00	903.67	919.96	918.96			
4	Electricals (10)	2316.13	-0.2	10.41	6.38	12.23	98.29	2302.64	2304.94	2318.52			
5	Electronics (25)	1619.10	-0.9	11.41	11.10	14.10	92.97	1635.05	1635.05	1635.05			
6	Engineering-Aerospace (8)	323.16	-0.4	17.35	0.94	6.96	16.52	324.61	326.03	327.71			
7	Engineering-General (43)	449.29	-1.4	10.76	5.59	11.43	17.78	455.46	452.10	452.10			
8	Metals and Metal Forming (9)	302.07	-0.4	2.17	11.65	-	25.21	303.14	306.86	306.86			
9	Motors (12)	278.98	-2.5	9.28	8.63	14.31	17.56	286.10	287.73	289.96			
10	Other Industrial Materials (20)	1447.47	-1.0	8.31	8.31	14.31	38.82	1448.11	1450.11	1450.11			
11	CONSUMER GROUP (19)	1940.21	-0.4	7.65	36.17	16.16	38.15	1944.28	1957.73	1952.63			
12	Brewers and Distillers (23)	1874.08	-0.5	9.04	3.71	13.39	39.19	1880.28	1880.50	1884.76			
13	Food Manufacturing (19)	1176.50	-0.9	9.77	4.30	12.63	33.63	1186.83	1183.04	1175.39			
14	Food Retailing (17)	2292.66	-0.2	9.69	3.46	13.30	39.89	2297.73	2294.33	2284.33			
15	Health and Household (23)	4123.96	-0.7	8.99	14.76	10.31	78.56	4126.33	4126.33	4126.33			
16	Hobbies and Leisure (24)	1224.60	-1.9	8.33	17.86	14.86	46.51	1248.40	1233.13	1229.32			
17	Media (25)	1404.91	-1.4	7.39	5.06	17.73	47.66	1404.28	1422.05	1422.05			
18	Packaging, Paper & Printing (17)	719.62	-1.9	5.00	4.62	16.16	24.43	733.87	730.89	733.89			
19	Services (22)	949.93	-0.3	7.80	16.57	26.74	27.01	956.12	956.12	956.12			
20	Textiles (10)	593.80	-1.6	7.79	5.23	19.39	21.18	603.51	598.90	593.91			
21	OTHER GROUPS (112)	1168.68	-1.1	10.29	5.66	12.29	36.93	1181.32	1181.24	1185.72			
22	Business Services (11)	1370.06	-2.0	7.26	4.75	17.49	46.59	1370.74	1365.08	1366.09			
23	Chemicals (21)	1370.05	-2.2	7.28	3.16	17.06	36.56	1368.40	1368.40	1370.77			
24	Conglomerates (11)	1277.45	-1.0	11.41	8.41	10.31	38.95	1303.39	1304.67	1304.67			
25	Transport (14)	2181.08	-1.1	8.88	5.17	22.36	39.17	2206.33	2190.27	2194.10			
26	Electricity (16)	1146.46	-0.7	15.64	5.88	8.32	27.33	1155.03	1152.99	1152.60			
27	Telephone Networks (4)	1409.84	-0.3	11.13	4.93	11.73	28.34	1410.07	1424.75	1425.05			
28	Worldwide (1)	1409.84	-0.3	11.13	4.93	11.73	28.34	1410.07	1424.75	1425.05			
29	Miscellaneous (23)	1731.75	-1.8	5.78	5.78	25.81	72.58	1725.12	1729.47	1743.90			
30	INDUSTRIAL GROUP (481)	2125.82	-0.7	8.80	4.83	14.25	37.70	2123.97	2127.01	2128.28			
31	Oil & Gas (19)	2197.48	-0.9	11.76	3.99	11.25	204.27	2216.25	2214.51	2224.36			
32	500 SHARE INDEX (500)	2301.50	-0.7	9.14	5.01	23.83	42.77	2310.53	2308.42	2306.43			
33	FINANCIAL GROUP (91)	763.12	-1.9	-	6.72	-	33.01	706.90	714.13	716.48			
34	Banks (9)	787.42	-2.4	-	3.06	6.74	38.72	776.09	802.38	808.99			
35	Insurance (Lins) (7)	1365.88	-1.7	-	6.11	-	63.68	1404.76	1415.98	1425.21			
36	Insurance (Commercial) (7)	970.70	-1.7	-	6.11	-	63.68	970.70	970.70	970.70			
37	Insurance (Brokers) (10)	970.70	-1.4	-	8.42	6.90	15.63	949.14	963.93	1001.96			
38	Merchant Banks (3)	453.38	-2.6	-	4.75	-	14.84	465.67	466.86	468.18			
39	Investor (35)	827.80	-1.1	6.12	5.70	23.79	28.81	833.37	837.36	848.94			
40	Worldwide (1)	827.80	-1.1	6.12	5.70	23.79	28.81	833.37	837.36	848.94			
41	Investment Funds (70)	1136.67	-0.9	-	3.78	-	30.42	1146.58	1139.73	1125.99			
42	Investment Funds (70)	1136.67	-0.9	-	3.78	-	30.42	1146.58	1139.73	1125.99			
43	ALL-SHARE INDEX (561)	1156.71	-0.8	-	5.18	-	40.06	1164.56	1164.56	1164.78			
44	FT-SE 100 SHARE INDEX (200)	2407.01	-16.8	218.84	2384.91	2427.81	2462.21	2414.91	2420.21	2428.61			

UK COMPANY NEWS

OfTel calls for regulation over BT equipment supply

By Hugo Dixon

TIGHTER REGULATION of BT's £1.35bn a year equipment supply business to prevent anti-competitive cross-subsidies is expected to be announced today by OfTel.

The industry regulator has drawn up a statement on the subject which it plans to publish only hours before institutional investors have to put in their final bids in the government's £50m BT share sale.

OfTel's statement will conclude an investigation into BT's business of supplying customers with telecommunications equipment. Many BT customers rent equipment - such as telephones and switchboards - from the company as well as making calls over its network.

The watchdog believes that its new regulations should not affect the government's share sale although they will be reasonably important in determining the way BT runs its business.

It is not known whether the timing of the statement has any connection with the share sale.

BT is already required to run its equipment supply business on an arm's length basis from its main business of carrying telephone calls. But OfTel is thought to have concluded that the existing regulations are not sufficient to prevent unfair cross-subsidies between the businesses.

The BT share prospectus revealed the existence of

OfTel's investigation for the first time. The prospectus said BT believed the effect of the inquiry was "unlikely to be material".

So far 2.4m share applications have been counted from retail investors whose forms had to be delivered by Wednesday morning. The number is expected to creep up slightly as more applications are counted, although it is unlikely to reach the 3m which government advisers had been predicting earlier in the week.

The average size of retail applications so far processed is for 580 shares, higher than expected. It is likely that these will have to be scaled back by about a third when allocations are made over the week-end.

Quality Street in black with £222,000

By James Buxton, Scottish Correspondent

QUALITY STREET, the company formed in 1988 with the backing of Nationwide building society to supply and manage private rented housing, has moved into profit for the first time. It is also reorganising its relationship with Nationwide.

QS was set up by Mr Paul Magnatoni, formerly director of housing for Glasgow District Council. The company has now invested £121m in 1,816 housing units all over the UK and claims to be Britain's "largest provider of quality private rented accommodation".

For the year to March 31 1991 it made pre-tax profits of £222,000 on rental income of £6m, after providing £700,000 against the cost of properties under development. In 1990 it lost £349,000 on rental income of £1.3m.

When QS was set up, Nationwide took 25 per cent of the company's £1,000 capital and invested £2m in non-voting cumulative preference shares as well as allocating funds for mortgages on QS's properties.

Now Mr Magnatoni, the chairman, and another director are buying back the ordinary shares from Nationwide, which is committing £150m in long-term mortgage funding on a rolling basis. QS is also raising £10m in a convertible capital bond from an unnamed institution.

He said that the change in the relationship with Nationwide would end the problem of QS "being seen as a subsidiary of Nationwide, even when we weren't" and would free the company from the provisions of the Building Societies Act.

Mr Magnatoni said that QS had expanded its operations more slowly in 1990-91 because of the uncertainties of the property market in the south of England and the fact that the market in Scotland was, until recently, still rising.

The company had occupancy levels of more than 90 per cent on its properties and Mr Magnatoni said he was confident the market for quality renting would show strong growth.

GUS shows marginal advance to £186.6m

By Jane Fuller

GREAT UNIVERSAL Stores, the mail order, financial services and property group, made good its recent pledge to increase profits for the six months to September 30 - but only just.

Profit before tax, including property gains of £4.1m (£4.3m), increased by 2.5 per cent to £186.6m (£182.1m) on sales of £1.17bn (£1.15bn).

Mr Richard Pugh, chairman, predicted at last month's annual meeting that the results would be better than last year's.

Most of the divisional businesses, from UK and overseas home shopping to property rentals, reported slightly increased results.

Profits were split roughly equally between shopping - mail order and retail - and finance and property operations.

Home shopping saw pre-tax profit inch ahead to £78.2m (£76m), while the much smaller overseas retailing division

advanced to £8.7m (£6.1m). Barberrys, however, slipped back by £200,000 to £11.8m.

Consumer and corporate finance, business information and investment income were virtually flat at £61.2m (£60.9m). Property rental and disposals accounted for £28.7m (£25.1m).

Mr Pugh said some improvement in trading profits had balanced the adverse effect of lower interest rates on finance income.

The geographic breakdown showed that nearly 85 per cent of profit arose in the UK. Western Europe accounted for 7.5 per cent and the Far East and Africa for 6.2 per cent, leaving less than 2 per cent in North America.

Mr Pugh said there were some "selective signs" of more economic confidence, but it would be unwise to expect a rapid improvement in corporate and consumer demand.

He added: "It would be unre-

alistic to assume a return to the tempo of activity that accelerated the inflationary pressures of the last few years."

Indeed such a situation would be self-defeating and would pose even more problems in the longer term.

Earnings per share advanced modestly to 50.7p (48.1p). The interim dividend goes up by 0.75p to 12.75p.

● COMMENT

GUS's A shares declined 4p yesterday to close at 1274p, continuing the dull performance of the past month. It seems a far cry since the stir created after the death in June of Sir Isaac Wolfson, the group's pioneering spirit. Then there was some excitement at the thought that the A shares might at last be enfranchised and that the group might begin to change into a more lively force. Neither wish has been realised and the group faces two negative pieces of sentiment. One is that the earnings

potential of its cash pile is falling with interest rates. The other, more serious, reservation is that as the leader of the UK's mail order market, with 40 per cent, it is vulnerable to competition. This is looming larger since continental competition reached the UK with the purchase of Grattan by Otto Versand and Empire by La Redoute. To be fair to GUS, its defensive qualities have been amply proved by 44 years of pre-tax profit increases, which it should marginally extend this year with a forecast £432.5m (£431.3m). With the end to the UK recession receding, maybe defensive qualities should not go out of fashion just yet. GUS is also bound up in general worries about the stores sector as companies try to grab Christmas sales by discounting and opening on Sundays. Although a prospective multiple of nearly 11 does not look demanding, the shares seem unlikely to make much progress.

Arlen lapses into £527,000 loss

By Michio Nakamoto

ARLEN, the manufacturer and distributor of electrical accessories and light engineering products, reversed into loss at the interim stage as its electronics business suffered a fall in demand from customers affected by the recession.

Pre-tax losses for the six months to September 30 were £527,000 compared with profits of £453,000 previously. The fall came despite a 26 per cent

increase in turnover to £16.9m (£13.4m). The overall interest charge surged from £10,000 to £405,000.

The interim dividend is passed (0.5p). Losses per share were 2.31p (earnings of 0.64p).

This is the first time that Arlen has included the trading results of a full six months from Norbain Electronics, which it acquired earlier this year, and Highland Electron-

ics, the electronics distributor with which it merged last year.

Highland has been badly hit by recessionary effects on its customer base among capital goods and consumer products manufacturers.

Haywood Engineering, its loss-making fastener manufacturer which was acquired in June of 1989, is being closed as there is no immediate prospect of recovery, the group said.

Equity & Law sets up direct sales force

By David Barchard

Equity & Law, the life assurance and investment management group owned by Axa-Midi of France, is to set up a 120-strong direct sales force.

At present Equity & Law sells its products via agencies and a network of independent intermediaries.

Half of the new sales force have been taken from the group sales team of Target, the former TSB subsidiary bought by Equity & Law earlier this year.

The sales force will expand to 300 by the end of next year and to 500 by 1995.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Albrighton	int	2.63p	Jan 30	2.63	6.33
ASB	int	1p	Apr 27	1	4.35
Barley	int	1.2p	Mar 5	1.2	3.3
Drummond	int	0.75p	Jan 17	0.5	1
Eastern Elect	int	4.85p	Mar 24	-	10.12
GrandMet	int	14.34p	Apr 8	12.8	20.4
GUS	int	12.75p	Mar 25	12	37.5
Greycoat	int	2.3p	Jan 24	2.3	5.2
JS Pathology	int	0.66p	Jan 13	0.66	2.45
Murray Spill Cap	int	1.8p	Feb 21	1.8	5.5
Phoenix Timber	int	2.5p	-	-	-
Pitt-Rivers	int	2.93p	Feb 19	2.93	10.5
PowerGen	int	3.05p	Mar 27	2.77	5.55
Radio Clyde	int	5p	Feb 14	5	8.25
Sage	int	1.52p	Jan 24	1.5	5.29
Tiphook	int	4.4p	Jan 31	3.5	13.8
Welfman	int	0.8p	Feb 11	0.8	2.2
Westland	int	2.75p	Feb 17	2.5	3.75

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡SUSM stock. *Carries scrip option

EUROPEAN FINANCE & INVESTMENT FRANCE

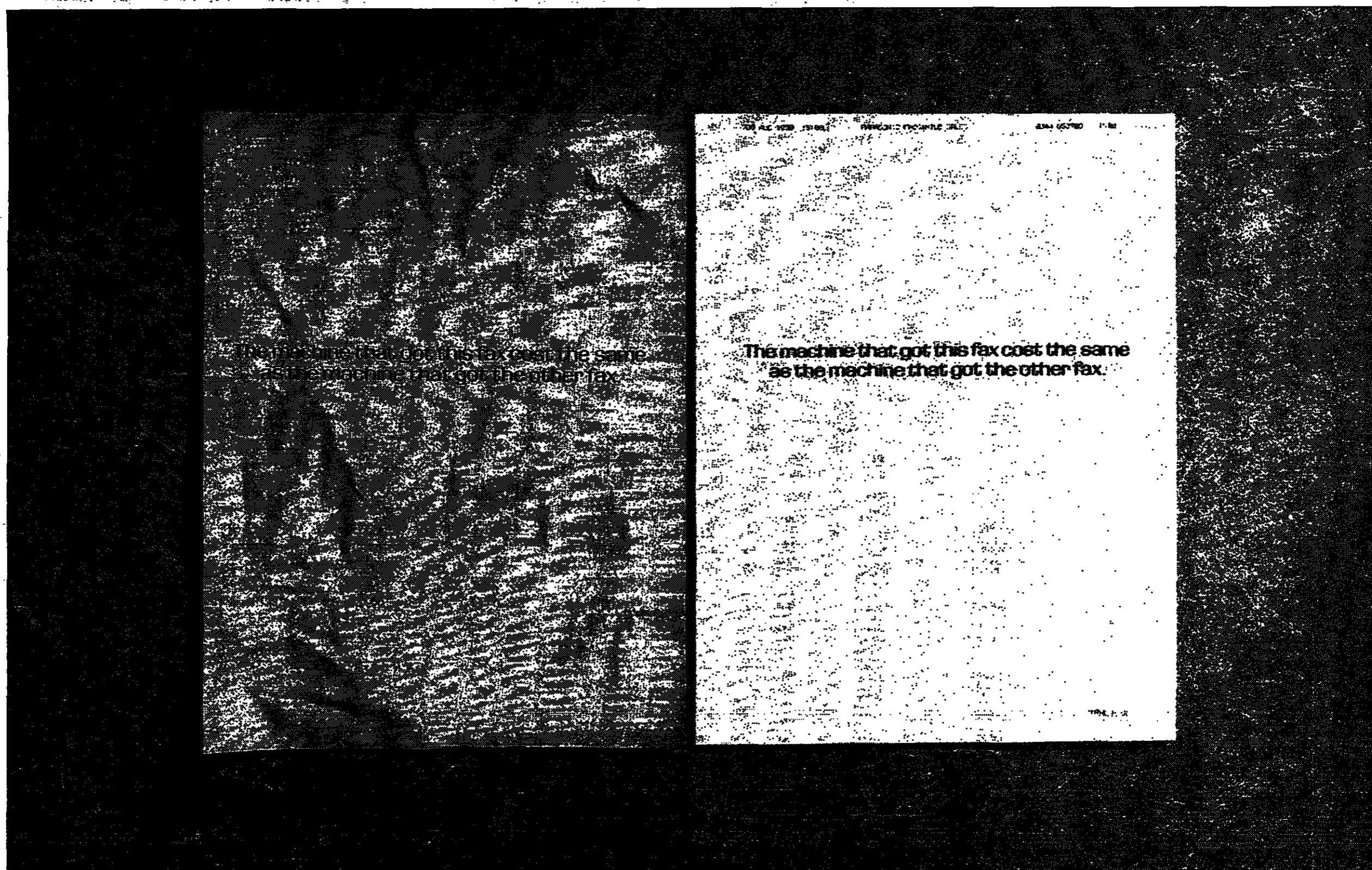
The FT proposes to publish this survey on 12th December 1991.

54% of Chief Executives of Europe's largest companies read the FT*. If you want to reach this important audience by advertising in this survey, call

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Data source: Chief Executives in Europe 1990

FT SURVEYS



Both faxes arrived on the same day, can you spot the difference? Easy isn't it?

The one on the left is from a conventional fax machine. Already it's begun to turn yellow. To fade.

To curl up. To crinkle.

The one on the right arrived on

Panasonic's new UF-300 plain paper fax.

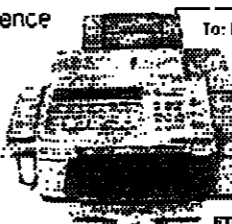
It's printed on the sort of paper you type on. So it's still crisp and white. It's printed with an ink-jet printer so the words are still black. It boasts an easy-to-replace ink cartridge so your fingers stay clean.

You can take the fax and file it. You can sign it.

Even re-fax it. Rather an easy spot the difference competition wasn't it?

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UK COMPANY NEWS

Juliet Sychnava reports on diverse results from two of the UK's recently privatised electricity generating companies

PowerGen pleases City with advance to £97m

POWERGEN yesterday reported pre-tax profits of £97m for the half year ending September 29, an increase of 15.5 per cent on a restated £84m last time.

The improvement in earnings per share to 8.45p (7.04p) was warmly welcomed in the City, while the dividend of 3.05p, up 10.1 per cent from 2.77p, was in line with expectations.

Operating profit before exceptional items improved by 23 per cent to £79m. Turnover grew 21 per cent to £1.35bn.

PowerGen's average selling price for the half year was 3.45p per unit, compared with 3.14p last year, and its market share improved, especially in the fossil fuel market, where it gained a 4.2 per cent share from National Power.

There was a modest improvement in operating margins - operating profit per unit was up just over 11 per cent to 0.2p. Manpower fell by 7 per cent over the half year as more than 1,000 jobs were cut. The company anticipates saving some £20m in staff costs over the full year. Fuel costs fell by about

1.5p per unit, the company said.

PowerGen has cash balances of £210m, similar to the previous year, with capital expenditure of £167m primarily on its new gas-fired stations. Capital expenditure for the full year will be about £250m, with a similar figure over the next two years, the company said.

Provisions for station closures increased by £20m, making a total provision of £308m. The company is to press ahead with closures of older plants.

● Kinetic, owned jointly by Conoco (UK) and PowerGen, claims to have emerged as the largest independent gas supplier. This is based on its purchase of output from the Anglia Field which came on stream on December 1, in addition to existing supplies bought on a swap basis from British Gas.

COMMENT

The upbeat tone of PowerGen's briefing yesterday provided something of a contrast to National Power's more reserved presentation last week, and the City seems to be welcoming PowerGen's relaxed

approach to the risk that the regulator might accuse the two generators of artificially boosting pool prices. Mr Ed Wallis, the company's chairman, made it clear he was prepared to face the regulator on the issue, and his defence - which pointed out how far above present pool prices the entry price for new stations is, and how modest the company's margin over 2p per unit coal costs was - seemed to convince analysts.

His assertion that PowerGen was a growth rather than a yield stock was also well received. Regulatory risks aside, the company faces no obvious business risks since almost all its power is sold on contracts. Meanwhile, the company's management of its portfolio of power stations is impressive: its plans to close high cost stations are clear and its new stations are on schedule. City forecasts for the full year pre-tax profits were broadly in a £335m-£345m range, putting the company on a prospective p/e of 7.3 to 7.4. The full year dividend is expected to rise by some 10 per cent to about 3.2p.



Ed Wallis: prepared to face the regulator over prices

Eastern falls but expects to benefit from new contracts

EASTERN Electricity yesterday reported a fall from £18.6m to £15.4m, in pre-tax profits for the half year to September 30.

Figures for the comparable six months were struck on a pro forma basis. Earnings per share were 4.3p against 5.2p and a maiden interim dividend of 4.85p is declared.

The main reason for the decline in profits was the company's decision to carry the cost of buying more electricity contracts in the first half of the year.

This led to a £52m loss in the supply business, compared with a £27m deficit last year.

However, the company estimated that the benefit of the new contracts, which protect the company from pool price fluctuations, would be felt via a £10m increase in supply profits in the second half.

Turnover was up by £72.5m to £821.7m with underlying unit sales ahead by 3 per cent.

The company estimated, however, that this sales growth

would drop to 2.4 per cent over the full year.

Growth in domestic sales was particularly strong, at 6.5 per cent. Eastern said it expected to keep price increases to domestic consumers next April within the rate of inflation.

Operating margins fell from 4.39 per cent to 3.16 per cent. But Eastern has made some cost cuts, reducing staff by 2.5 per cent, or about 200 people, and saving £1.4m in the contracting business.

The retail and contracting businesses made small profits. Eastern said, and it expected first profits from its generation business in 1994-1995.

The company's capital expenditure fell from £50m to £44m, and gearing on net debt of £241m was down from 41.6 per cent pro forma to 34.4 per cent.

COMMENT

Caution was the keynote at Eastern's interim meeting yesterday. The company warned it might withdraw from a proposed power station joint-venture with Mobil, drew attention

to the fact that it was incurring costs now to protect itself from the pool later, and finally pointed out that its dividend had been set to ensure sustainable growth in the long term.

That caution cannot hurt the company where the regulator is concerned - and the City is likely to view Eastern's low-cost return on assets as another potential brownie point with the regulator. Being well protected against the pool, and pulling out of the Corgon gas-fired power station project at a time when doubts are being cast on the economics of many gas-fired projects, can only help the company in the long term. However, this is all somewhat negative chess for a company which was, as one analyst put it, the jewel in the electricity crown with its excellent regional prospects and good cost cutting potential.

Some in the City suggest management changes are due. Full year pre-tax profits are expected to be about £144m in 1991-1992, putting the company on a prospective p/e of 7.2 to 7.3. Analysts are looking for a dividend rise of between 10.1p to 12p and 12 per cent.

N American activities help lift Scapa to £20m

By Daniel Green

CONTINUED expansion in North America helped Scapa Group, the maker of specialist products for the printing and paper industries, to a 2.5 per cent increase in interim profits.

For the six months to end-September pre-tax profits rose to £20.3m (£19.8m), although earnings per share slipped to 6.88p from 6.81p reflecting the good performance of the company's Indian operation, which pays tax at 50 per cent.

The interim dividend is being increased by twice the rate of profits growth to 1.53p (1.45p).

The proportion of the company's business in North America continued to grow.

"In North America, the product mix and the size of the market helped margins," said Mr Bill Goodall, Scapa's chairman.

North American turnover accounted for 39 per cent of the barely changed £141m total for the whole company.

Operating profits from the region were 57 per cent of the total.

UK margins suffered disproportionately. Products here are less aimed at the paper business and more towards general industrial applications.

Mr Goodall said the second half would show little improvement. The acquisition programme, however, would continue. The company is looking at purchases in its industrial materials division both in Europe and North America.

It hopes to make another acquisition soon. In September, the company strengthened its balance sheet by refinancing much of its short term borrowings through a £100m (£96.4m) senior unsecured note issue.

Some £60m has already been raised by the issue. A further £40m can be taken up before April 1992.

Gearing will still be less than 30 per cent after the completion of the £27m acquisition of Scandifelt, one of its Swedish competitors.

The purchase, announced last month, will be completed at the end of January.

Airsprung retains bounce with 26% rise to £1.7m

By Vanessa Houlder, Property Correspondent

Airsprung Furniture Group, the Wiltshire-based beds and upholstery company that moved from the USM to the main market in July, yesterday announced interim profits ahead from £1.35m to £1.7m pre-tax.

The 26 per cent expansion for the six months to end-September followed a 49 per cent jump in the outcome for the group's full year. Turnover improved to £26.9m (£25.6m).

Mr John Yates, chairman, said the result had been achieved against a difficult period for the economy in general and the furniture trade in particular.

The second half had started well with sales and profits ahead of last year. Proceeds from August's £3.2m rights issue were used to reduce borrowings, but Mr Yates did not rule out acquisitions if the "right opportunity arises".

The interim dividend is maintained at 2.63p on the higher capital, payable from earnings per share of 9.52p (7.88p).

Provisions leave Greycoat £5.8m in the red

By Vanessa Houlder, Property Correspondent

GREYCOAT, the property company which has seen its share price fall by 70 per cent since March, yesterday announced a pre-tax loss of £5.8m for the six months to September 30.

The result, which compared with a pre-tax profit of £13.23m a year earlier, was scored after provisions of £7.91m against activities it has curtailed. Most of these related to its US portfolio, with a further £2.33m stemming from retail properties in the UK.

Greycoat's share price has come under heavy pressure because 89 per cent of its portfolio is in the hard-hit central London office market and the City has been concerned that falling asset values could eventually require a renegotiation of its banking facilities.

The company yesterday emphasised the stability of its funding. "Our financing programme has in the case of all our recent major developments, carefully matched outgoing interest payments to incoming rental income. Debt maturities are reasonably spaced over the next decade," it said.

Analysts were encouraged by the company's comment that a revaluation last month of its 200m Embankment Place building showed it had fallen by less than 4 per cent since March.

The company's net rental income increased from £12m to £21.7m, while its interest costs increased from £3.7m to £17.8m. For the first time, five months rental income was included for its Embankment Place office building, which

will be occupied next year by Coopers & Lybrand Deloitte.

Greycoat said its administration costs of £5.8m (£2.78m) could be cut by half over the next two years, as the company concentrated on investment rather than development.

It has decided not to commit more equity to its proposed Paternoster Square scheme, by St Paul's, which is seeking planning permission, and other projects at Moor House and Victoria Transport interchange are on hold.

The share price advanced 3p to 115p. Losses per share were 2.9p (0.9p earnings) before provisions and 12p after. The interim dividend is maintained at 2.3p, payable from distributable profits from prior years.

Steel Burrill Jones acquires broker for £33.4m

By Vanessa Houlder, Property Correspondent

STEEL BURRILL Jones, the UK insurance and reinsurance broker continued on its acquisition trail yesterday with the £33.4m purchase of Regis Low Holdings, another broker, writes Vanessa Houlder.

The move strengthens SBJ's position in the energy and marine insurance markets.

The payment to the vendors of Regis Low is in the form of 11.4m new ordinary SBJ

shares. Kleinwort Benson, the securities house, is placing 7.1m of these with institutional investors at 285p per share.

The shares are being offered to existing shareholders on the basis of 20.8 for every 100 held.

The SBJ share price yesterday fell 11 to 306p.

Regis Low's turnover for the year ended September 1991 was

£11.7m (£8.7m) while the consolidated pre-tax profit was £4.6m (£2.7m). Net assets were £1.7m.

In 1990, SBJ made a pre-tax profit of £3.44m on brokerage income of £3.72m. The directors yesterday proposed a final dividend of 9p (8.25p) for the current year.

Mr Tony Keys, SBJ's finance director, said that the acquisition was earnings enhancing.

On a pro forma basis, before cost savings, earnings would rise from 15p to more than 21p.

"We couldn't grow [our involvement in energy and marine] by staff recruitment. We had to make a purchase," said Mr Keys.

SBJ is not taking up Regis Low's 10.94 per cent stake in a third broker, Windsor. Buyers have been found for that holding.

Cautious In Shops declines to £1.05m

By Paul Chappelow

IN SHOPS, the Birmingham-based property company which operates retail centres and serviced offices, yesterday reported a fall in interim profits to £1.05m from £1.1m in the six months to September 30 compared with £1.91m last year.

Earnings per share fell from 3.74p to 2.06p. The figures are not necessarily a precursor of a fall of similar proportions for the full year. Historically, 81 per cent of the annual profits have been made in the second half.

However, Mr Tim Brooks, chairman, was cautious about the trading prospects for the rest of the financial year.

Although profits were lower in the first half, turnover increased from £18.1m to £11.1m, a disparity of between 25 and 30 per cent.

The interim dividend is maintained at 0.96p.

SCAPA GROUP PLC

Interim results for six months ended 30 September 1991

Sales £141.4 million (£141.6 million)

Pre tax profits £20.3 million (£19.8 million)

Earnings per share 6.88p (6.88p)

Interim dividend increased by 5 per cent to 1.52p

- Good progress in implementing our strategy for continuing expansion
- Investment of \$22 million in Hewitt Machine Co. Inc., U.S.A. for further development of the Engineered Rolls Division
- Offer of £35 million for Scandifelt AB, Sweden, for expansion of Engineered Fabrics Division.

R W Goodall, Chairman

Copies of the Interim Report will be circulated to shareholders on 11 December 1991 and thereafter will be available from the Company Secretary, SCAPA GROUP PLC, Oakfield House, 93 Preston New Road, Blackburn, Lancashire BB2 6AY.

Improved UK showing lifts Alba

IN ITS seasonally unfavourable first half, Alba, the consumer electronics group, reported table profits ahead from £10.6m to £11.6m.

The outcome for the six months to end-September reflected improved trading conditions in the UK with encouraging performance by the Bush and Alba brands, which continued to build market share, and the Hinari domestic appliance division.

Overseas, Hong Kong-based Harvard Maritime reported sharply increased sales. Activities in Germany and eastern Europe showed a marked decline but were now showing signs of recovery.

Turnover amounted to £49.5m (£46.8m). The interim dividend is held at 1p, payable from earnings of 1.82p (1.85p) per share.

Interest charges hit JS Pathology

A turnaround to interest payable resulted in sharply reduced pre-tax profits at JS Pathology, the clinical pathology laboratory.

The outcome for the six months to end-September - £728,000 against £1.74m - was struck after interest charges totalling a net £183,000, compared with income last time of £741,000, as the group invested in premises, new equipment and computerisation.

Turnover amounted to £5.8m (£5.7m). Earnings per share fell to 3.7p (3.8p) but the interim dividend is maintained at 1.8p.

Euromoney link to WEF for magazine

Euromoney Publications and World Economic Forum have formed a joint company to publish World Link, the magazine of WEF.

World Link was first published in 1988 as a platform for key members of the international business community, political and government leaders, and figures from academia and the media. It has 100,000 readership in 170 countries.

Euromoney will have a 20 per cent shareholding in return

for providing, as a loan, the working capital. Depending on the magazine's future profits, this stake could rise to 50 per cent; Euromoney expects this to happen by June 30 1995 for a cost of £1.1m.

Drummond swings back into black

Contributions from each of its core businesses helped Drummond Group, the Bradford-based textile company, swing back into the black at the pre-tax level in the half year to September 30.

Profits amounted to £510,000 against losses last time of £560,000, although that figure was struck after exceptional charges of £660,000 relating to contractual losses.

Turnover improved to £23m (£18.1m) mainly reflecting the acquisition in January, of the Armatex polyviscose business from Carat.

Earnings per share emerged at 1.02p (9.27p losses); the interim dividend goes up 50 per cent to 0.75p.

Murray Split Capital Trust

Net asset value per capital share of Murray Split Capital Trust stood at 143.38p at the end of the initial 21-week period to October 31. Net asset value of the income shares was 55.3p.

Revenue before tax totalled £98,530. Tax took £73,054 leaving £25,476 available for income shareholders. Earnings per income share came out at 5.32p and a maiden interim dividend of 2.5p is declared.

Losses grow at slimmer Phoenix

Pre-tax losses at Phoenix Timber Group grew from £379,000 to £1.13m in the six months to September 30.

The company withdrew from importing and merchandising timber at the end of April and the operating losses from ongoing businesses were £467,000 (profits £395,000). Discontinued businesses contributed £230,000 last time.

Group turnover plunged to £12.5m (£31m) with ongoing businesses pitching in a lower £10.3m (£11.7m).

Mr Peter Quinn, chairman, said: "Following the reorganisation, the group will comprise a number of businesses which

have shown in the past the ability to make very satisfactory profits."

Extraordinary charges of £2.65m (£500,000) represented costs associated with the closure of the timber trading businesses. Losses per share totalled 7.5p (2.8p). The interim dividend is passed (0.5p).

Delaney at £0.14m in third quarter

In a move to counteract "the somewhat confusing and conflicting statements being made daily by economists and political commentators", Mr Nathu Puri, chairman of Delaney Group, has released nine months results for this furniture making, retailing and shopping company.

Turnover fell to £13.7m (£15.1m) and trading profits dropped 94 per cent to £738,000 (£1.1m). Fully diluted earnings emerged at 0.7p (2.2p) but the interim dividend is held at 0.6p.

Regina cuts losses by more than £4m

Regina Health & Beauty Products, the USM-quoted retail jelly group, reported pre-tax losses of £505,000 for the 14 months to August 31 - a sharp reduction from the £4.7m losses for the year to June 30 1990.

Mr Shiraz Malik-Noor, who became non-executive chairman last December and assumed full executive control in March, imposed tighter controls and a new management team. He also injected £660,000 of fresh capital into Regina.

Turnover was down at £32.1m (£25.7m) but operating losses were cut to £196,000 (£241,000). Net interest payable fell to £27,000 (£285,000) while exceptional charges were sharply lower at £262,000 (£3.77m).

Losses per share totalled 0.29p (19.7p).

ATA Selection arm in liquidation

ATA Selection, the USM-quoted financial services and recruitment group, said it had put its recruitment subsidiary ATA Selection and Management Services into voluntary liquidation.

ATA said the division was involved in the placement of

sales, engineering and creative staff. Difficult trading conditions had caused last year's losses of £283,000 to increase to £550,000 in the 11 months to November - a level the board considered it would be irresponsible to continue to support.

Wellman declines 70% to £344,000

Pre-tax profits of Wellman, the West Midlands-based industrial furnaces and process engineering group, were reduced by 70 per cent, from £1.17m to £344,000, in the six months to September 30.

Mr Geoffrey Iley, chairman, said that demand in many of the group's markets remained significantly depressed, but there were also exceptional costs of £387,000 relating to redundancies and reorganisation, which knocked profits down further.

Turnover fell to £13.7m (£15.1m) and trading profits dropped 94 per cent to £738,000 (£1.1m). Fully diluted earnings emerged at 0.7p (2.2p) but the interim dividend is held at 0.6p.

Binatone increases Betacom stake

Binatone Holdings, the consumer electronics company owned by Mr Gulu Lalvani, has raised its stake in Betacom, the telecommunications supplier, to 18.5 per cent.

Binatone bought a 15.11 per cent stake in Betacom on Wednesday for a undisclosed sum from Grande Holdings, the Hong Kong electronics company controlled by Mr Stanley Ho, the casino tycoon. At market prices the stake is worth just over £1m.

Mr Lalvani, now based in Hong Kong, said he was in discussions with Cannon Street Investments, Betacom's main shareholder, which holds 25 per cent. He said he would fly to London in about 10 days to meet with Betacom's management.

"If I get co-operation from the management, I believe we can find synergy in the company because I know what they are doing wrong," Mr Lalvani said.

Betacom said yesterday that it increased its stake but had no comment to make.

Radio Clyde declines to £1.4m

Profits of USM-quoted Radio Clyde Holdings fell to £1.4m, pre-tax for the 12 months ended September 30, a decrease of 35 per cent on the previous year's £2.17m.

The group increased its advertising activities in April and the purchase of Radio Clyde on a share-exchange basis.

The profits announced include a £165,000 contribution from Radio Clyde during the year of acquisition.

Group turnover improved from £2.32m to £2.65m. Earnings fell to 12.4p (22p) per share but a same-gain final dividend of 8p maintains the total at 20.4p.

An extraordinary debit of £540,000 mainly reflected a write-down of the group's investment in Buzz FM.

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مكتبات الصحف

UK poised to sign gas export treaty

THE UK government is poised to break the ice in the next weeks that will allow the first export of gas from the UK to the Continent.

The government will ratify a deal with the Dutch government that has taken several years to negotiate for the export of up to 260m cubic metres of gas from the Marham field in the Netherlands.

It will leave the way for other companies to sell North Sea gas to the rest of Europe.

Ultramar, the UK-based diversified oil and gas company, having a £1.17bn bid from fellow exploration company Lurgi, has agreed contracts to take the gas Dutch company has agreed to supply to the Dutch, Belgium and Germany's Winterhall, a division of the BASF chemicals group.

The company, which owns 38 per cent of the overall Marham field that straddles the UK-Dutch border in the North Sea, is set to start producing gas from the £200m development in October next year. Ultramar has so far drilled two of the four wells that will be bringing production from the Marham field into the next few years.

By 1994, the company expects to be producing from five additional wells in an adjacent block which will be linked to the main platform via an unmanned satellite rig. The estimated reserves for the well field are put at 700bn cubic feet of gas.

The gas will be transported from Marham to a main pipeline owned by Winterhall.

The Marham platform may set the standard for future developments in the area since, although it is in Dutch territory, it conforms to high UK safety standards.

It also adheres to Dutch environmental standards, which are the highest in the world. This means that it must not allow all surface water discharging it into the sea, as well as processing rain water that falls on deck, to extract any pollutants before releasing it to the sea.

Ultramar plans to spend £400m on capital expenditure in this area over the next five years.

● The overall cost for developing the Hamilton/Douglas oil and gas field in the Irish Sea just off Liverpool could amount to £1bn in the next five years, says a source.

The company, which owns 30 per cent share of the fields along with Monument Oil and Gas and Hamilton, estimated the gas field contain 760m cubic metres of gas and the oil field 170m.

The operators are due to award a contract for the design of a platform for the Hamilton gas field and are awaiting planning permission for a gas processing plant at Port of Ayr in North Ayrshire. The gas has been contracted to flow to a new gas-fired station at Conah's Quay on the Welsh coast.

MALAYSIAN TIN output fell by 28 per cent to 16,000 tonnes in September, compared with the same period last year, reflecting the worst production crisis afflicting the industry in more than 40 years.

Official forecasts of 23,000 tonnes for the full year fall almost 20 per cent below the 28,000 tonnes allocation announced from the Association of Tin Producing Countries.

Heavy monsoon rains mean that mining activity during the last quarter tends to be lower than in previous quarters.

At its peak, Malaysian output reached almost 77,000 tonnes in 1972, but fell below 28,000 tonnes during the second world war.

Malaysia's September output stood at 1,632 tonnes, down 4.4 per cent from August's 1,708 tonnes, according to official statistics.

The AITPC agreed in October to a 9.1 per cent reduction to 87,901 tonnes in 1992 export limit, with the biggest cut, in absolute terms, coming from Malaysia. Its quota dropped 13 per cent to 24,840 tonnes, while Indonesia's allocation was reduced by 1.4 per cent from 26,376 to 27,966 tonnes.

Although the smaller export quota may bring down the level of world stocks to, according to AITPC estimates, 37,000 tonnes in 1992, prices of tin below end-1992, tin prices continue to remain weak.

On the Kuala Lumpur Tin Market, spot prices closed lower yesterday at M\$14.65 a kilogram, compared with M\$14.87 in October's average prices and M\$15.03 in January.

Prices of tin have been improved prices in 1992 to an average of M\$15.60 a kilogram provided, analysts said, the US keeps within limits the sales from its 165,000-tonne stockpile at the Defence Logistics Agency (DLA).

Prices of tin dropped 2,200 tonnes last year and 2,900 tonnes from January to August this year.

A REPORT based on partial and "previously secret data" from a University of Vermont study contends that one herd of cows injected with the growth hormone bovine somatotropin (BST) had a shorter milking life, more illness and gave birth to more dead and deformed calves than other cows.

Mr. Andrew Christiansen, a Vermont state representative who has the report, said that it provides the "strong evidence yet that the BST cow drug is not what its manufacturers claim."

Mr. Christiansen is a part-time staff member of Rural Vermont, a farm group which has long opposed genetically engineered drugs which are supposed to increase milk production.

Mr. Christiansen's report is based on information obtained from a research report by the University of Vermont, which was obtained under contract with Monsanto Co., one of the producers of BST.

The university has conducted several BST tests but has refused to release the test results, saying they are confidential to the agriculture committee of the Vermont legislature.

The information given to Mr. Christiansen was studied by Dr.

However, it found that the cows and female offspring had greater difficulty than is normal in giving birth and that the female offspring of the cows injected had produced three deformed calves.

Mr Christensen said that the results, although incomplete, raised several questions, some of which can be satisfactorily answered until all information is made available."

This is only one study of many being made across the US, and it is important to examine the findings of several multigenerational tests, he said.

As it has in Europe, the prospect of low productive returns concerns US dairy farmers. They worry that surpluses and low prices will force them out of business.

The US Food and Drug Administration has not yet approved BST for commercial sale. US regulators said that approval may come as early as this month because of the pressure being applied by the drug manufacturers.

The board comprises repre-

Russian oil venture may prove pioneer

By David Lascelles,
Resources Editor

MORGAN GRENFIELD, the LONDON merchant bank, is advising a venture which may become the first integrated Russian oil company with a listing on a western stock exchange. The Siberian Oil Corporation has been founded by 21 Russian organisations including the Russian Federation, a Russian-based company and a Guinness-based company backed by Australian and US oil interests.

The Soviet banks include production, exploration, refining, pipeline and financial enterprises, as well as local administrations in the Tyumen, Yamalo-Nenets and Chukotka regions. The company's main assets will be the right to exploit and develop all Siberian oilfields with reserves estimated at 3.8bn barrels.

ATTEMPTS to reform Britain's antiquated milk marketing system have made glacial progress during the last two years. The threat of European Court action which would split the 60-year-old cartel at the scheme's centre may mean that the ice is at last beginning to break.

A clear statement by the UK government that the two sides must act soon, coupled with the sudden resignation last month of the MMB's chief executive, and the appointment of the new and controversial adviser, may add to the momentum.



senatives of 20,000 daily farmers, many of whom remembered the 1930s depression. It proposed in 1980 to transform itself into a single voluntary co-operative.

That plan was rejected on the grounds that the DTF as merely a pressure group could not replace a statutory with a voluntary monopoly.

The DTF also objected to the board's intention to retain control of the assets of its wholly owned subsidiary, which has a 26 per cent share of the UK manufactured dairy products market.

Since Mr Bob Stevens, MBE, was elected since the DTF's co-operative idea in July 1980, the board, encouraged by the UK government, has taken the concept to the EC Commission in Brussels where the communists are still waiting on several counts.

The board then failed to follow through, either by changing its plans or discussing them with the DTF. Nor did it put forward proposals of its own.

As one close observer put it:

**By David Lascelles,
Resources Editor**

MORGAN GRENFELL, the London merchant bank, is advising a venture which may be the best integration of a Russian oil company with a listing on a western stock exchange. The Siberian Oil Corporation has been founded by 21 Russian organisations and Euroso, a Guernsey-based company, backed by Australian and US oil companies.

The Soviet backers include production, exploration, refining, pipeline and financial enterprises, as well as local administrations in the Tyumen oil region of Siberia. The companies are to be the first to be given the right to exploit and develop a Siberian oilfield with reserves estimated at 3.5m barrels.

THE INDIAN tea industry, which is largely dependent on the Soviet Union for export, has been told by the government to be prepared for a shortfall of between 20m and 30m kg of tea in the next 10 years of Indian teas in 1992 to 1993.

Out of India's total tea export of 200m kg, the share of the Soviet Union was as much as 130m kg.

According to Mr P Chidambaram, minister of state for commerce, the industry will have to override the crisis arising from any shortfall in Soviet purchases by shipping more teas to the general currency area markets.

While it is still not known what will be the precise trading arrangements with the Soviet Union, the tea industry has been advised to be ready to deal with the

symbolics apparently, Mr Vijay Dudgea, spokesman for the industry, believes that any dislocation in Indian export to the Soviet Union may only be temporary, since the latter's tea consumption is expected to rise to 210m. According to Mr Dudgea, India will be exporting 110m kg of tea to the Soviet Union in the current year. India's tea export will, however, be affected at least for the next 20m kg in 1990-91.

New Delhi's message to the industry is that, in keeping with the country's new trade policy, the first step up exports to other countries.

There is a consensus in the industry that in spite of stiff competition from Sri Lanka, China, and Kenya, India cannot lose its tea in the Soviet Union, Iran, Japan, Germany and the U.S. Keeping in view that Sri

SIDNEY Spiro, a long-time director of the Anglo-American Corporation and of De Beers Consolidated Mines, died in London on Monday at the age of 77.

Mr. Spiro, who was awarded the Military Cross during the second world war, had interests beyond mining. He was a pioneer of merchant banking in South Africa and a governor of the University of Cape Town Foundation. In politics he was seen as a liberal. He had many friends around the world, not least because of his sporting and cultural interests.

He is survived by his wife and three children. The funeral at St Paul's, Knightsbridge (Willem Place) at noon on Tuesday, December 10.

The premium for cash copper over three-month disappeared yesterday on the LME as the recent squeeze appeared to be easing. The market closed near four-month lows. Dealers said the imposition of a \$25 limit on the daily backwardation has prompted some freer lending. However, it will take some time for clear market direction to emerge. Aluminium was steady, with three-month metal finding support on dips below \$1,100 a tonne. Traders said some of the buying came from consumers. The market will be keeping a close watch both on today's LME stocks

SPOT MARKETS		
Crate oil (per barrel FOB)		
Diesel oil	\$16.26-8.95	-0.25
Kerosene	\$18.10-8.25	+0.08
Brent Blend (Jan)	\$17.25-10.25	-0.75
W.T.I. (1 pm est)	\$20.50-8.00	-1.10
Oil products		
(NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	\$21.6-17.1	-1
Gas Oil	\$19.1-18.3	-1
Heavy Fuel Oil	\$7.4-7.5	-1 $\frac{1}{2}$
Naphtha	\$18.7-18.9	-1 $\frac{1}{2}$
International Argus Estimates		
Other		
Gulf (per tray cask)	\$384.75	+0.15
Siberia (per tray cask)	405.50	+0.5
Platinum (per tray oct)	\$568.70	-0.30
Palladium (per tray oct)	\$93.00	-0.16
Copper (LUS Producer)	100.0c	
Aluminum (per lb)	1.00	+0.5
Tin (Kuala Lumpur market)	14,566	-0.01
Tin (New York)	\$2.50	
Zinc (Zinc Prime Western)	\$2.04	
Grains (live weight)	10.35 ps	
Strong (strict weight)	137.70	+0.17
Pigs (live weight)	85.12	-1.42
London tallow sugar (white)	\$25.00	-1
London daily sugar (raw)	\$22.50	-1
Bate and Ley export price	£23.9	-1
Barley (English lead)	£120.25	+1.25
Malted US No. 2, yellow	£140	
Rubber (Siam Black Natural)	21.00	
Rubber (Latex)	51.50 ps	-0.50
Rubber (RSS No. 1)	20.95	-0.85
Rubber (Jafk RSS No. 5)	21.00	
Coconut oil (Philippines)	\$800.5	+5
Palm oil (Malaysia/Sing)	\$370.0	
Copra (Philippines)	\$367.5	+2.5
Copra (Indonesia)	£18	
Cotton "A" index	61.85c	-0.01
Wooltops (84s Superw)	£159	

* & below unless otherwise stated.
 c=cent, b=bu, f=futuring, g=gals, i=inches, d=dollars
 L=Liverpool, S=Singapore, P=Panama, U=United States
 £=pounds sterling, \$=dollars, ¢=cents, ¢=pennies
 Commission advance forward prices, % change from a week ago * London physical market.
 † = futures market, @=Futures market close, m-Midway between contract dates.

continues and also on next Tuesday's IPAI producer stock figures for October, Zinc closed off the day's lows after some late commission house buying. Traders said the market had been under pressure from liquidation and self-stops prompted by three-month metal opening below \$1,200 a tonne. The need for a downward technical correction to the recent rise coupled with news of a possible imminent lifting of Peru's force majeure aided the downtrend. But a late move below \$1,180 appeared to trigger off fresh support which rallied prices quite sharply.

SUGAR - London FOD		(\$ per tonne)
Raw	Close	Previous High/Low
Mar	199.20	198.40 200.00 198.00
May	197.00	197.00 198.00 196.00
Aug	188.00	187.00 197.40 187.00
White - Close Previous High/Low		
Mar	279.5	280.2 280.4 279.8
May	279.5	281.0 280.3 279.1
Aug	284.0	284.0 284.6
May	284.6	285.0

Turnover: Raw 328 (\$27) lots of 80 tonnes.
 White 583 (\$58)
 Paris-White (25 par) Mar: 1943.21, May: 1955.02

SUGAR OIL - IPE		(\$/barrel)
	Latest	Previous High/Low
Jan	19.38	
Feb	19.30	
Mar	19.24	
Apr	18.10	
May	18.10	
Jun	18.93	
Jul	18.93	
IPE Index	19.64	

Turnover 18595 (\$2669)

SAS OIL - IPE		(\$/barrel)
	Latest	Previous High/Low
Dec	184.50	
Jan	186.25	
Feb	185.00	
Mar	185.50	
Apr	175.25	
May	173.50	
Jun	173.75	
Jul	177.25	
Aug	174.75	

Turnover 17488 (1889) lots of 100 tonnes

FRUIT & VEGETABLES

Spain's Navarra oranges are an essential part of this week's 15-20c spot reports in FFVBS. Other good fruits include asstantes at 40-45p a lb, lebanth at 15-20p each, Golden Delicious apples 30-35p a lb and Cors at 90-110 p lb. Lemons are a good buy at 40-55p a lb as are asoratos at 15-20p a lb, mendo at 15-20p a lb and Sausette sprouts 20-30p a lb. Cettic cabbage is 18-30p a lb with Savoy cabbage 20-25p a lb. Isabary lettuce at this week's best asked buy at 18-20p each depending on stock. Celery is superior at 50-50p a head, along with Chinese lemons at 50-50p a lb and cucumber at 50-60p a lb.

	Close	Previous	High/Low
Dec	741	738	741 732
Mar	780	780	785 775
May	801	802	805 798
Jul	825	827	830 828
Sep	848	850	853 846
Dec	877	878	881 874
Mar	908	908	915 901
May	923	922	925 917
Jul	938	938	940 936
Sep	923	925	926 920

Turnover: 3348 (8002) lots of 10 tonnes
 GCO indicator prices (\$DPS per tonne), call
 for Dec5 **\$48.98** (\$48.45) 10 day average
 for Dec5 **\$48.98** (\$48.45)

COMFUT - London POOL				Shores
	Close	Previous	High/Low	
Jan	1070	1078	1075 1088	
Mar	1058	1080	1070 1078	
May	1010	1002	1007 998	
Jul	1010	1004	1002 998	
Sep				

Deca: Comp. daily 55.43 (66.75) 15 day average 55.34 (65.22)					
Sterling close: January 1911, March 2 1895					
POTATOES - London POOL \$/tonne					
	Close	Previous	High/Low		
Mar	118.5	121.0	118.0		
Apr	122.0	116.5	120.7 118.5		
May	140.0	140.0			
Turnover: 165 (90) lots of 20 tonnes.					
SOYABEANS - London POOL \$/tonne					
	Close	Previous	High/Low		
Dec	125.0		127.00 125.00		
Turnover: 25 (30) lots of 20 tonnes.					
FRESH POT - London POOL \$/100lb net price					
	Close	Previous	High/Low		
Dec	15.08	16.50	16.05 16.00		
Jan	16.46	16.50	16.25 16.40		
Apr	16.56	16.25	16.40 16.50		
May	17.14	15.74			
Turnover: 120 (116)					
GRAIN - London POOL \$/tonne					
	Close	Previous	High/Low		
Wheat	134.00	134.00	134.00 134.00		
Jan	127.90	128.30	127.80 127.50		
May	130.80	131.30	130.75 130.55		
Jun	135.65	135.90	135.50		
Sep	139.00	138.50	139.00		
Barley	130.00	132.00	130.00		
Jan	118.15	119.40	118.15		
Mar	122.50	122.60	122.50		
May	124.20	124.40	124.20		
Turnover: 368 (490), Barley 15 (80). Turnover: lots of 100 tonnes.					
PODS - London POOL (Cash Settlement) p/b					
	Close	Previous	High/Low		
Jan	105.5	102.5	103.0		
Feb	105.5	103.0	104.5		
Mar	105.0	105.0			
Apr	108.0	107.0			
May	109.5	107.0			
Turnover: 15 (9) lots of 3,200 kg					
HOGS - London POOL					
	Close	Prev.	High	Low	Vol
Index	131.81	130.29			

	Close	Previous	High/Low
Aluminium, 99.97% purity (\$ per tonne)			
Cash	1078.7	1074.5	
3 months	1101.2	1100.1	1108/1087
Copper, Grade A (\$ per tonne)			
Cash	1259.8	1305.7	1298/1252
3 months	1259.7	1282.2	1288/1261
Lead (\$ per tonne)			
Cash	297.5	298.7	298.7/298.7
3 months	303.2-5.5	304.7-5.5	302.5/304.7
Nickel (\$ per tonne)			
Cash	7090-100	7095-100	
3 months	7100-100	7095-100	7100/7090
Tin (\$ per tonne)			
Cash	5470-80	5475-80	
3 months	5525-80	5525-80	5530/5525
Zinc, Special High Grade (\$ per tonne)			
Cash	1205.5-5.5	1225.4	1211/1211
3 months	1194.5	1222.4	1197/1178
U.S. Gasoline (\$ per gallon)			

LONDON BULLION MARKET				
(Prices supplied by N M Rothschild)				
Gold (fine oz) \$ price		£ equivalent		
Clean	354.50/355.00			
Overland	355.70/356.00			
Morning fix	355.75		204,421	
Afternoon fix	354.80		203,673	
Day's high	355.10/355.40			
Day's low	353.70/354.00			
Local Leds		Mass	Gold	London Sales (No US\$)
1 month	4.50	6 months		4.15
3 months	4.40	12 months		4.10
5 months	4.20			
Silver fix		p/line at	US coin equiv	
Spot	226.45			
3 months	232.35		409.45	
6 months	228.65		414.30	
12 months	225.00		409.10	
GOLD OUFES				
(Prices supplied by Engelhardt Metals)				
S price		£ equivalent		
Kruggerand	364.75-365.75		204.00-204.50	
Maple leaf	376.00-376.00		209.50-210.00	
Nor Sovereign	460.00-467.00		48.00-48.50	
TRADE ONS				
Aluminium (99.7%)		Catts	Puts	
Strike price \$ tonnes Mar	Jul	Mar	Jul	Mar
1000	110	146	7	12
1100	43	78	37	41
1200	11	36	108	65
Copper (Grade A)				
Catts		Puts		
Strike price \$ tonnes Mar	Jul	Mar	Jul	Mar
2100	137	148	18	44
2200	72	91	61	82
2300	31	61	109	142
Cobalt				
Strike price \$ tonnes Mar	Jul	Mar	Jul	Mar
500	66	67	1	12
550	50	28	12	30
600	5	12	44	67
Cocoa				
Strike price \$ tonnes Mar	May	Mar	May	Mar
750	54	78	25	37
775	40	62	36	37
800	31	51	52	50
Sweet Crude				
Strike price \$ tonnes Mar	Jul	Mar	Jul	Mar
1950	22		40	82
2000	10	37		110

Officer	Kerb close	Open interest
	Total daily turnover 24,232 lots	
078-7		
101-1	1105-7	136,672 lots
	Total daily turnover 35,233 lots	
228-9		
225-8	1250-1	105,165 lots
	Total daily turnover 2,071 lots	
36.5-6.75		
03-4	302-6	15,090 lots
	Total daily turnover 2,957 lots	
325-35		
030-5	7100-10	32,180 lots
	Total daily turnover 758 lots	
475-80		
520-30	5525-30	4,802 lots
	Total daily turnover 7,652 lots	
211.5-2.0		
128-4	1150-60	30,571 lots

New York			
100 city oz.: 87.99 oz.			
Close	Previous	High/Low	
387.4	385.1	387.0	384.3
388.5	388.4	0	0
390.0	389.9	0	0
392.5	392.0	392.5	388.3
374.9	3737.8	374.0	371.8
375.1	375.0	0	0
376.0	375.0	0	0
382.5	380.4	0	0
383.0	382.9	0	0
500 city oz.: 87.99 oz.			
Close	Previous	High/Low	
388.5	387.3	388.4	387.5
371.8	369.0	372.6	370.0
374.3	372.5	0	0
382.3	379.3	0	0
5,000 city oz.: central/ny oz.			
Close	Previous	High/Low	
402.6	401.4	403.5	401.5
401.4	400.2	401.4	400.0
400.1	404.0	0	0
407.7	403.7	408.0	400.6
411.4	408.3	412.0	411.0
414.8	413.0	417.5	414.5
419.8	416.7	0	0
420.0	420.0	420.0	420.0
428.2	424.3	0	0
430.2	428.2	0	0
GRADE COPPER 25,000 lbs. central/ny			
Close	Previous	High/Low	
88.50	100.53	100.80	88.40
88.50	103.40	103.80	88.40
90.50	90.50	90.50	89.40
96.46	96.80	96.26	89.10
98.26	98.20	98.20	89.60
98.26	98.20	98.20	87.80
97.95	96.95	96.40	87.80
97.95	96.55	96.40	87.80
97.95	96.05	96.00	87.50
OK Light 42,000 lbs. gate Sherrill			
Lastest	Previous	High/Low	
20.40	20.76	20.98	20.88
20.40	20.90	20.90	20.80
20.10	20.43	20.51	20.08
20.00	20.28	20.28	20.00
20.00	20.28	20.28	20.00

	Latest	Previous	High/Low
Jan	8915	8938	8905
Feb	8955	8981	8100
Mar	8945	8915	8950
Apr	8940	8930	8715
May	5470	5489	5930
Jun	5470	5489	5930
Jan	5430	5420	5490
Feb	5430	5445	5495
Mar	5690	5645	5690
Apr	5690	5650	5690

COCOA 10 tonnes/tonnes

	Close	Previous	High/Low
Dec	1248	1229	1248
Mar	1289	1276	1292
May	1285	1310	1267
Jul	1355	1348	1356
Dec	1390	1385	1390
Jan	1417	1408	1417
Mar	1448	1438	1448
May	1470	1481	0

OFFER "F" \$7.50/2000 cwt/lbs				
	Close	Previous	High/Low	
Dec	71.40	70.80	70.25	70.10
Nov	85.95	82.25	83.50	84.00
Oct	84.40	80.50	80.75	80.50
Jul	81.50	82.00	82.00	82.00
Jun	89.00	80.75	80.75	80.75
May	93.95	94.75	94.00	95.00
Mar	95.00	97.40	0	0
BURRAN SHOW "Y" 112,000 lbs/c cwt/lbs				
	Close	Previous	High/Low	
Mar	8.90	8.11	8.17	8.00
Feb	8.95	8.80	9.00	8.85
Jul	9.91	9.93	9.92	9.90
Oct	9.90	8.92	9.00	8.90
Nov	9.91	9.92	9.91	9.90
May	8.81	8.84	0	0
COTTON 62.000 cwt/lbs				
	Close	Previous	High/Low	
Dec	57.10	57.47	57.40	56.60
Nov	59.57	59.46	59.45	59.45
Oct	61.50	61.50	61.50	61.50
Jul	60.62	61.35	61.55	60.40
Oct	63.09	63.36	63.66	62.70
Nov	63.45	63.79	63.91	63.80
May	64.05	64.83	0	0
Mar	65.30	65.77	0	0
ORANGE JUICE 15,000 lbs cwt/lbs				
	Close	Previous	High/Low	
Jan	165.76	165.00	165.76	163
Jul	168.75	165.90	168.75	166
Mar	168.75	166.00	168.75	166
Apr	168.75	168.00	168.75	168
Sep	168.00	168.00	0	0
Oct	168.00	168.00	0	0
Nov	168.00	168.00	0	0
Jan	152.46	152.25	152.00	150
Mar	152.46	152.25	0	0
May	152.46	152.25	0	0
RUBBERS				
DUELS (Base: September 10 1981 = 100)				
	Dec/L	Dec/L	month open	month open
	164.84	164.92	165.80	171.10
DOW JONES (Base: Dec 3 1974 = 100)				
	Dec/L	Dec/L	month open	month open
Apr	115.98	115.38	113.90	124
Jan	121.70	122.51	121.26	124

BOYABANKE 5,000 bu m/cr; cents/bu			
	Close	Previous	High/Low
Jan	6567	6628	6634
Jan	5640	5606	5634
May	5704	5745	5767
Jul	5770	5818	5840
Aug	5670	5684	5664
Sep	5524	5530	5545
Nov	5622	5652	5670
Jan	5630	5650	0

BOYABANKE 80,000 bu; cents/bu			
	Close	Previous	High/Low
Dec	18.80	18.72	18.78
Jan	18.74	18.81	18.83
Feb	18.78	18.85	18.88
May	20.30	20.25	20.45
Jul	20.48	20.60	20.68
Aug	20.68	20.76	20.76
Sep	20.62	20.70	20.85
Oct	20.85	20.70	20.85

	Cattle	Calves	Heifers	Stags
Dec	73.5	74.7	75.1	
Jan	73.5	74.7	75.1	
Feb	73.5	74.7	75.1	
Mar	73.5	74.7	75.1	
Apr	73.5	74.7	75.1	
May	73.5	74.7	75.1	
Jun	73.5	74.7	75.1	
Jul	73.5	74.7	75.1	
Aug	73.5	74.7	75.1	
Sep	73.5	74.7	75.1	
Oct	73.5	74.7	75.1	
Nov	73.5	74.7	75.1	

	Cattle	Calves	Heifers	Stags
Dec	22.9	24.9	24.9	
Jan	22.9	24.9	24.9	
Feb	22.9	24.9	24.9	
Mar	22.9	24.9	24.9	
Apr	22.9	24.9	24.9	
May	22.9	24.9	24.9	
Jun	22.9	24.9	24.9	
Jul	22.9	24.9	24.9	
Aug	22.9	24.9	24.9	
Sep	22.9	24.9	24.9	
Oct	22.9	24.9	24.9	
Nov	22.9	24.9	24.9	

	Cattle	Calves	Heifers	Stags
Dec	22.9	24.9	24.9	
Jan	22.9	24.9	24.9	
Feb	22.9	24.9	24.9	
Mar	22.9	24.9	24.9	
Apr	22.9	24.9	24.9	
May	22.9	24.9	24.9	
Jun	22.9	24.9	24.9	
Jul	22.9	24.9	24.9	
Aug	22.9	24.9	24.9	
Sep	22.9	24.9	24.9	
Oct	22.9	24.9	24.9	
Nov	22.9	24.9	24.9	

	Cattle	Calves	Heifers	Stags
Dec	22.9	24.9	24.9	
Jan	22.9	24.9	24.9	
Feb	22.9	24.9	24.9	
Mar	22.9	24.9	24.9	
Apr	22.9	24.9	24.9	
May	22.9	24.9	24.9	
Jun	22.9	24.9	24.9	
Jul	22.9	24.9	24.9	
Aug	22.9	24.9	24.9	
Sep	22.9	24.9	24.9	
Oct	22.9	24.9	24.9	
Nov	22.9	24.9	24.9	

	Cattle	Calves	Heifers	Stags
Dec	22.9	24.9	24.9	
Jan	22.9	24.9	24.9	
Feb	22.9	24.9	24.9	
Mar	22.9	24.9	24.9	
Apr	22.9	24.9	24.9	
May	22.9	24.9	24.9	
Jun	22.9	24.9	24.9	
Jul	22.9	24.9	24.9	
Aug	22.9	24.9	24.9	
Sep	22.9	24.9	24.9	
Oct	22.9	24.9	24.9	
Nov	22.9	24.9	24.9	

	Cattle	Calves	Heifers	Stags
Dec	22.9	24.9	24.9	
Jan	22.9	24.9	24.9	
Feb	22.9	24.9	24.9	
Mar	22.9	24.9	24.9	
Apr	22.9	24.9	24.9	
May	22.9	24.9	24.9	
Jun	22.9	24.9	24.9	
Jul	22.9	24.9	24.9	
Aug	22.9	24.9	24.9	
Sep	22.9	24.9	24.9	
Oct	22.9	24.9	24.9	
Nov	22.9	24.9	24.9	

	Cattle	Calves	Heifers	Stags
Dec	22.9	24.9	24.9	
Jan	22.9	24.9	24.9	
Feb	22.9	24.9	24.9	
Mar	22.9	24.9	24.9	
Apr	22.9	24.9	24.9	
May	22.9	24.9	24.9	
Jun	22.9	24.9	24.9	
Jul	22.9	24.9	24.9	
Aug	22.9	24.9	24.9	
Sep	22.9	24.9	24.9	
Oct	22.9	24.9	24.9	
Nov	22.9	24.9	24.9	

	Cattle	Calves	Heifers
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[illegible][illegible]

Nervous rally follows initial setback

CONCERN over interest rates and the growing problems in the U.S. stock market combined to overwhelm the London stock market in early trading yesterday. Tensions were heightened when one leading marketmaking firm marked down prices down heavily and some institutions began to offer stock across the broad range of the blue chip issues.

The session started badly with the market alarmed by the dramatic developments in the U.S. market situation and the Bundesbank's decision to postpone its monetary policy conference until later in the day.

A fall in the FT-SE Index was quickly extended to nearly 500 points as traders brushed aside an important support level at 2,400. At the day's low-

Wellcome beats the trend

There was no plan to say the word "London" in the statement. This is something which the board reviews from time to time but it is not on the agenda at present."

There was also some talk that the company trustees, who hold 75 per cent of the shares, would not release a stock on to the market.

Banks fall again

There was no let-up for a moment as the markets scattered and betting banks were back in the fray. Merrill Lynch, Kevin and Jan, had applied for an administration order for two of the most important of the Maxwell family private companies, Headington Investments and Robert Maxwell Group. There was no real selling pressure on the shares, every market-maker had already chopped their prices to head off the sellers," said one

Bank shares have suffered from unrelenting selling for a number of weeks, hurt by a never-ending flood of bad debts from recession-hit industries, and a flood of bad debts from private customers.

Earnings forecasts have been progressively lowered for many months, with the sector pushed down on Wednesday by a blanket downgrade of estimates by RBS Phillips & Drew. The latest at Maxwell news caused more analysts to start factoring in the big banks' exposure to the Maxwell companies.

National Westminster, whose exposure to the Maxwell group is put at around £280m

From O&N

Reigning at Monarch

Fixed Dealings:			
Nov 25	Dec 6	Dec 30	
Options Dealings:			
Dec 6	Dec 26	Jan 9	
Limit Dealings:			
Dec 6	Dec 27	Jan 10	
Account Days:			
Dec 18	Jan 6	Jan 20	

Week-end dealings may take place from 6:30 am next business days after.

The Footsie touched 2,386.9 but the market rallied as interest rates were held unchanged in Germany and wild rumours of impending statements on the Maxwell situation proved unsubstantiated. Among a host of heavy deals at the close was a 36m trade in Premier Oil (3 pc of the company), at about half the closing price.

By the close, the FT-SE index had recovered to 2,407.0, for a net loss of 16.8. Traders

was given another beating yesterday but closed well above the day's worst after a flurry of bear closing. The stock fell to 246 1/2, its lowest since January, before ending 5 off at 260 1/2. The day was also marked as the heaviest in a single session since last August.

Lloyds, with Maxwell loans of an estimated \$190m-plus, fell 10 to 347 1/2 on 4.6m and Barings, 235m exposed, gave up 2 1/2 to 189 1/2, buffered on Wednesday by a downgrade by Smith New Court, fell to 181 1/2 before ending 9 off at 187 1/2.

Standard Chartered, one of the few strong performers among banks and recent 19, lost steam and retreated 19 to 388 1/2.

This week's steep fall in share prices upset merchant banks with equity market-making divisions. S.G. Warburg lost 13 to 620 1/2 and Kleinwort Benson 15 to 269 1/2.

Lonrho pressure

The downward pressure on Lonrho shares during the past two trading sessions on the London stock exchange, centred during initial dealings yesterday. This triggered renewed heavy selling of the stock and prompted a statement from the company that it knew of no reason for the sharp decline in its shares in the past two days.

Lonrho's shares had slipped to the 148p mark during early trading, the lowest level since December 1987. Turnover spiralled upwards to reach 15m shares, by far the stock's heaviest in a single day since September 1989.

After the company's statement the shares stabilised and were eventually 18 lower on the day at 153p, making a three-day drop of 61.

Dealers said the stock had

NEW HIGHS AND

reported some sizeable sellings at first, when one UK house was believed to be attempting to operate a £100m selling programme.

However, much of the activity was between market making houses, a number of which faced heavy losses when the Footsie collapsed. One house was struggling with a block of stock in the banking sector.

Sentiment was still very nervous at the end of the day, in spite of the rally in the Footsie. The very large swings in the Footsie which have become a feature of London trading are helping the marketmakers and reinforcing their unwillingness to take positions.

Next week brings the opening of an equity trading account extended to cover the Christmas break. Extended

FT-A All-Share Index

The line graph shows the FT-A All-Share Index from 1,150 to 1,300. The index starts at approximately 1,280, drops to 1,240, rises to 1,260, and then fluctuates between 1,230 and 1,250 before a sharp decline to 1,180.

Equity Shares Traded

Turnover by volume (million)

Legend: Evolving (white bar), Established (black bar)

The bar chart shows turnover by volume in millions. The y-axis ranges from 0 to 600. The x-axis shows 12 periods. The 'Evolving' series (white bars) shows a general upward trend, starting at approximately 100 and reaching 500. The 'Established' series (black bars) shows a general downward trend, starting at approximately 500 and reaching 100.

0 Oct 1991 Dec
Source: Datastream

worries about a possible dividend cut and the balance sheet, and concern over metal prices.

Rank weaker

In spite of a \$285m cash disposal yesterday, Rank Organisation failed to stem its declining trend and finished 17 weaker at 565p.

Market reaction was generally favourable to the sale of the group's motorway service stations, but Rank cannot afford the stigma of recent downturns in the stock. However, a number of analysts foresee support at the 560p level.

Negative sentiment in the property sector was further weakened by a report from a

[illegible]

trading accounts are traditionally difficult for the traders, and share prices can move very quickly if the big houses cut stock positions.

Activity in stock index futures yesterday reflected heavy buying by securities firms seeking protection in an erratic market.

The December future contract on the Footsie, which closed around 2,423, provided support for the market's relief that the 2,400 support level had once again proved solid - at least for the time being.

However, many equity chart specialists continued to warn of further falls in the stock market and there were few optimists about, even for the short term. The bank stocks, which have fallen by up to 20 per cent since early-November,

no improvement in the near future in the London commercial letting market. MEPC, down 7 at 420p, and Land Securities, off 8 at 462p, both suffered as a result.

A badly executed selling order for a mixed office building was being blamed by City marketmakers on a fall of 15 to 84p for City Site. Analysts, however, were not so generous, attributing the decline to continuing worries over dividend security at high yield property groups.

Helical Bar retreated 15 to 125p as stock offered in the market failed to attract any early takers.

Relief greeted the maintenance of Greycoat's interim dividend and the stock improved 3 to 115p.

A line of 9.9m Royal Insurance at 264p was said by one dealer to have been an incorrectly reported trade. Royal

Lloyds in recent weeks after a series of profits downgrades by top City brokers, first, dropped 25p to 236p, and then, on the City's big integrated securities houses said to have placed a line of 2.2m shares at 230p, a significant discount to the then ruling market price. A block of 2.5m Lloyds Abbey shares earlier in the day at 237p.

US investors continued to buy Glaxo in spite of weakness in Wall Street. The pharmaceutical group formed 6 1/2 to 234p. Results from the Americas were as anticipated and the shares held at 234 3/4p. Reuters rose 6 to 919p on unimpressive turnover.

The absence of negative news about the final dividend as the company reported

The shares advanced 10 to 12 1/2p, making it one of the day's top performers. Turnover rose to 12m. Profits fell from £103.2m to £90.6m but the dividend was increased to 15 1/2p. The market was also encouraged by the chairman's statement.

Shares in container group Pophook fell 12 to 45 1/2p in spite of a 56 per cent jump in interim profits to £39.9m. One analyst said: 'These are good shares but it is a stock that isn't very well understood. Leasing has a bad name and the market just can't get over it. Cash flow is the real element of valuation and the market isn't looking at that.'

A squeeze helped Dowty Group add 15 1/2p. An analyst said: 'It is a stock that has been a little neglected. Let my shares off at 18p.'

suffered further losses yesterday on worries about dividend prospects.

Today brings a list of important statistics on the US economy. The UK market remains highly nervous of the outlook for Wall Street and for the Tokyo equity market.

At the beginning of next week, the latest data on domestic retail sales and consumer credit are expected to provide a further guide to the elusive trend of retail business as the store groups move into the all-important Christmas selling season, when most of their annual profits are traditionally earned.

Confidence was not helped yesterday by the announcement that UK car sales fell last month by 1.4 per cent. year on year.

Dealers said a fall of 19 to 725 1/2 in Pearson was prompted by a cut in the profits forecast from securities house Hoare Govett. However, Hoare's media analyst Ms Chris Munro said her new figures were not a reflection of the state of the market's range of forecasts and she did not believe her predicted cut was responsible.

Carlton Communications remained weak ahead of results next Tuesday. The share price fell sharply over the past week and closed 18 off at 415p yesterday.

A profits downgrade by Kleinwort Benson depressed Fortis, which dipped 6 to 288p.

Full-year results from Grand Metropolitan were higher but in line with market expectations. The shares rose 9 after the announcement but slipped to close unchanged at 948p.

Bass hardened a penny to 960p following positive results

and upgraded forecasts from analyst after analyst on Wednesday. Regional brewers were unsettled by Wolverhampton & Dudley's extra call on investors for 1991, which reveals full-year results today. Wolverhampton shares were down 13 p on one stage before closing 8 off at 565p.

MARKET REPORTERS:
Peter John, Joel Kibazo,
Christopher Price,
Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 28.

BANKING FUNDS

	Share	Units	Price	1991
			(pence)	
Barclays	100	100	100	100
Bank of Scotland	100	100	100	100
Bank of Ireland	100	100	100	100
Bank of London	100	100	100	100
Bank of Montreal	100	100	100	100
Bank of New York	100	100	100	100
Bank of Paris	100	100	100	100
Bank of Rome	100	100	100	100
Bank of Spain	100	100	100	100
Bank of Sweden	100	100	100	100
Bank of Switzerland	100	100	100	100
Bank of Tokyo	100	100	100	100
Bank of West	100	100	100	100
Bank of Yugoslavia	100	100	100	100
Bank of Zaire	100	100	100	100
Bank of Zimbabwe	100	100	100	100

10 pc 1992-93	134	+	134	123
10 pc 1993-94	134	+	134	123
10 pc 1994-95	134	+	134	123
10 pc 1995-96	134	+	134	123
10 pc 1996-97	134	+	134	123
10 pc 1997-98	134	+	134	123
10 pc 1998-99	134	+	134	123
10 pc 1999-00	134	+	134	123
10 pc 2000-01	134	+	134	123
10 pc 2001-02	134	+	134	123
10 pc 2002-03	134	+	134	123
10 pc 2003-04	134	+	134	123
10 pc 2004-05	134	+	134	123
10 pc 2005-06	134	+	134	123
10 pc 2006-07	134	+	134	123
10 pc 2007-08	134	+	134	123
10 pc 2008-09	134	+	134	123
10 pc 2009-10	134	+	134	123
10 pc 2010-11	134	+	134	123
10 pc 2011-12	134	+	134	123
10 pc 2012-13	134	+	134	123
10 pc 2013-14	134	+	134	123
10 pc 2014-15	134	+	134	123
10 pc 2015-16	134	+	134	123
10 pc 2016-17	134	+	134	123
10 pc 2017-18	134	+	134	123
10 pc 2018-19	134	+	134	123
10 pc 2019-20	134	+	134	123
10 pc 2020-21	134	+	134	123
10 pc 2021-22	134	+	134	123
10 pc 2022-23	134	+	134	123
10 pc 2023-24	134	+	134	123
10 pc 2024-25	134	+	134	123
10 pc 2025-26	134	+	134	123
10 pc 2026-27	134	+	134	123
10 pc 2027-28	134	+	134	123
10 pc 2028-29	134	+	134	123
10 pc 2029-30	134	+	134	123
10 pc 2030-31	134	+	134	123
10 pc 2031-32	134	+	134	123
10 pc 2032-33	134	+	134	123
10 pc 2033-34	134	+	134	123
10 pc 2034-35	134	+	134	123
10 pc 2035-36	134	+	134	123
10 pc 2036-37	134	+	134	123
10 pc 2037-38	134	+	134	123
10 pc 2038-39	134	+	134	123
10 pc 2039-40	134	+	134	123
10 pc 2040-41	134	+	134	123
10 pc 2041-42	134	+	134	123
10 pc 2042-43	134	+	134	123
10 pc 2043-44	134	+	134	123
10 pc 2044-45	134	+	134	123
10 pc 2045-46	134	+	134	123
10 pc 2046-47	134	+	134	123
10 pc 2047-48	134	+	134	123
10 pc 2048-49	134	+	134	123
10 pc 2049-50	134	+	134	123
10 pc 2050-51	134	+	134	123
10 pc 2051-52	134	+	134	123
10 pc 2052-53	134	+	134	123
10 pc 2053-54	134	+	134	123
10 pc 2054-55	134	+	134	123
10 pc 2055-56	134	+	134	123
10 pc 2056-57	134	+	134	123
10 pc 2057-58	134	+	134	123
10 pc 2058-59	134	+	134	123
10 pc 2059-60	134	+	134	123
10 pc 2060-61	134	+	134	123
10 pc 2061-62	134	+	134	123
10 pc 2062-63	134	+	134	123
10 pc 2063-64	134	+	134	123
10 pc 2064-65	134	+	134	123
10 pc 2065-66	134	+	134	123
10 pc 2066-67	134	+	134	123
10 pc 2067-68	134	+	134	123
10 pc 2068-69	134	+	134	123
10 pc 2069-70	134	+	134	123
10 pc 2070-71	134	+	134	123
10 pc 2071-72	134	+	134	123
10				

[illegible][illegible]

EQUITY FUTURES AND OPTIONS TRADING

TRADING in Footsie futures continued framed volatile as dealers speculated most of the session on German interest rates, writes Joel Kilbano.

Weekend trading in the December contract gave way to buying until confidence evaporated mid-morning on news about the Maxwell contract, which was expected to have a negative effect on the banking sector, which reduced the contract to the day's low of 2410.

Listlessness disappeared in the afternoon when the Bundesbank announced that there would be no increase in rates. December closed at 2423, 6 points higher than the fair value premium to cash as turnover rose to 8,431.

In L/OM, turnover rose to a healthy 41,498 contracts. Dealers rolled out contracts as protection against falls in the underlying stocks. One strategist pointed to the widening call-put ratio as a sign that the recent market falls may soon be at an end.

The Footsie option traded 7,057 contracts. British Gas was the busiest stock option with a total of 2,436 contracts. This was followed by Rolls-Royce, which traded 2,371 lots, most of which were bought in the first half of March series. Lounie, also active in the cash market, saw 2,297 contracts traded.

[illegible]

ter Warren, reputed to be one of Britain's highest paid advertising agency directors, is joining Scott Mead & Partners in a bid to develop the group into a significant force in European advertising.

Warren, aged 51, is one of the best-known names to leave Ogilvy & Mather stable following differences of opinion with its new owner, WPP. Having started work in the post-war period, aged 24 years with Ogilvy ending up as chairman of O&M Europe where he had overall responsibility for 93 offices in 19 countries.

Among his major clients

Reigning at Monarch

I to AMV

rowers Beecham, Ford, Guinness, Rowntree Macintosh, Shell and Unilever. He resigned as chairman in January 1991 but has spent the last 12 months as a consultant to O&M Worldwide.

Although AMV is considerably smaller than WPP its recent success is reflected in the fact that in the UK advertising market capitalisation it is roughly twice as big as WPP. AMV says Warren will 'play a major part in the integration of its agency within the international advertising network of O&M, following AMV's acquisition of BBDO's UK agency earlier this year'. BBDO is the London arm of Omnicom of the US which has taken a 23 per cent stake in AMV.

to Michael Beckett, a former Consolidated Gold Fields and who is now Monarch's chairman.

Two of the other original Monarch directors have now been appointed vice-presidents: Andrew Nelson is vice-president, chief financial officer, and Andrew Barker is vice president, general counsel. The American-style titles reflect the fact that Monarch is closing its offices in London and Paris and is "changing to a US culture," says Beckett.

Anthony Clail, another former Gold Fields executive brought in as president and chief executive in May, is based in New Jersey.

■ **FIFE INDMAR** announces the appointment of Douglas McKenzie as md of the Scottish Engineering Division and John Mackenzie as finance director and secretary of Precision Machining (Edinburgh).

■ **JICNARS** has promoted Roger Beeson, its acting general manager, to md of National Readership Surveys. He has been promoted to sales director and George Clarke manufacturing director of BRYANT & MAY.

■ **WEIR GROUP** announces that Bill Currie is now finance director of Weir Westwicks while Bob Anderson becomes finance director of Liquid Gas Equipment.

■ **David Wood**, formerly finance director of Connell, is to become md of **BLACK HORSE AGENCIES** on the London and Newcastle Cable

Inputting to

Robert Ashmead, 39, is to take over the drive to attract companies in the financial services sector into Wales. He has been appointed director of the Financial Services Initiative Wales, a body co-ordinating the work of the Welsh Development Agency and the local authorities in developing south Wales as a financial centre. Ashmead is joining from Loyds Merchant Bank where he was a director. Before that he was with County NatWest Securities.

Life and chief executive of Black Horse Agencies. Peter Goodhouse is appointed human resources director of **MSAS CARGO INTERNATIONAL** in place of David Daley who is promoted to personnel director of Ocean, the parent company. Mark Bullock is appointed managing director of **SEAYS Specialist Distribution**. **LAWSON MARDON GROUP** announces that John Durstan, formerly chairman of the Flexible Packaging Division, is appointed group vice-president strategic planning; his place is taken by Terry Bloomfield. Serge De Paoli, vice-president of planning and development, becomes chairman of the European Folding Carton Division. **Graham Crocker** is a director of the **HEAVITREE**.

Wales


The FSI was set up three years ago by the then Secretary of State for Wales, Peter Walker, to develop the areas as a financial centre. It has already attracted some 30 companies, including N M Rothschild, National Provident Institution and Banque Nationale de Paris.

Some 70,000 are now employed in financial services in Wales, about 20,000 of them in Cardiff. Over 3,700 new jobs have been created in south Wales since the initiative was launched.

10/14 10/15 10/16 10/17 10/18 10/19 10/20 10/21 10/22 10/23 10/24 10/25 10/26 10/27 10/28 10/29 10/30 10/31 11/1 11/2 11/3 11/4 11/5 11/6 11/7 11/8 11/9 11/10 11/11 11/12 11/13 11/14 11/15 11/16 11/17 11/18 11/19 11/20 11/21 11/22 11/23 11/24 11/25 11/26 11/27 11/28 11/29 11/30 12/1 12/2 12/3 12/4 12/5 12/6 12/7 12/8 12/9 12/10 12/11 12/12 12/13 12/14 12/15 12/16 12/17 12/18 12/19 12/20 12/21 12/22 12/23 12/24 12/25 12/26 12/27 12/28 12/29 12/30 12/31	Provisional Price on Trading on 01/01		Final Prices for Trading on 01/01		Post Trading 01/01
	Price CNY/100	Volume CNY/100	Price CNY/100	Volume CNY/100	
0050	18.54	14.26	18.54	14.26	
0055	18.55	14.26	18.55	14.26	
0100	17.99	15.92	17.99	15.92	
0105	18.55	14.26	18.55	14.26	
0230	18.53	14.26	18.50	14.26	
0300	18.63	14.26	18.50	14.26	
0400	18.50	14.26	18.50	14.26	
0405	18.49	14.19	18.49	14.19	
0410	18.48	14.19	18.48	14.19	
0415	18.47	14.19	18.47	14.19	
0420	18.46	14.19	18.46	14.19	
0425	18.45	14.19	18.45	14.19	
0430	18.44	14.19	18.44	14.19	
0435	18.43	14.19	18.43	14.19	
0440	18.42	14.19	18.42	14.19	
0445	18.41	14.19	18.41	14.19	
0450	18.40	14.19	18.40	14.19	
0455	18.39	14.19	18.39	14.19	
0500	18.37	16.28	18.28	16.28	
0505	18.35	16.28	18.28	16.28	
0510	17.94	18.40	18.40	18.40	
0730	18.52	18.17	21.67	21.67	
0735	18.51	18.27	21.67	21.67	
0740	18.50	21.60	21.67	21.67	
0745	18.49	21.60	21.67	21.67	
0750	18.48	21.60	21.67	21.67	
0755	18.47	21.60	21.67	21.67	
0800	22.01	28.15	29.10	29.10	
1000	22.01	28.15	29.10	29.10	
1005	22.00	28.15	29.10	29.10	
1010	22.00	28.15	29.10	29.10	
1015	21.98	28.15	29.11	29.11	
1020	21.97	28.15	29.11	29.11	
1025	21.96	28.15	29.11	29.11	
1030	21.95	28.17	29.12	29.12	
1035	21.94	28.17	29.12	29.12	
1040	21.93	28.17	29.12	29.12	
1045	21.92	28.18	29.08	29.08	
1050	21.91	28.18	29.08	29.08	
1055	21.90	28.18	29.08	29.08	
1100	21.89	28.18	29.08	29.08	
1105	21.88	28.18	29.08	29.08	
1110	21.87	28.18	29.08	29.08	
1115	21.86	28.18	29.08	29.08	
1120	21.85	28.18	29.08	29.08	
1125	21.84	28.18	29.08	29.08	
1130	21.83	28.18	29.08	29.08	
1135	21.82	28.18	29.08	29.08	
1140	21.81	28.18	29.08	29.08	
1145	21.80	28.18	29.08	29.08	
1150	21.79	28.18	29.08	29.08	
1155	21.78	28.18	29.08	29.08	
1200	21.77	28.18	29.08	29.08	
1205	21.76	28.18	29.08	29.08	
1210	21.75	28.18	29.08	29.08	
1215	21.74	28.18	29.08	29.08	
1220	21.73	28.18	29.08	29.08	
1225	21.72	28.18	29.08	29.08	
1230	21.71	28.18	2		

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NEW ISSUE December 3 1991

 **FannieMae**

\$700,000,000
7.05% Debentures

Dated December 10, 1991 Due December 10, 1998
Interest payable on June 10, 1992 and semiannually thereafter

Series SM-1998-H Cusip No. 313586 2R 9
Non-Callable

Price 99.90625%

The debentures are the obligations of the Federal National Mortgage Association, a corporation organized and existing under the laws of the United States, and are issued under the authority contained in Section 304(b) of the Federal National Mortgage Association Charter Act [12 U.S.C. 1716 et seq.].

The debentures, together with any interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than Fannie Mae.

This offering is made by the Federal National Mortgage Association through its Senior Vice President-Finance and Treasurer with the assistance of a nationwide Selling Group of recognized dealers in securities.

Debentures will be available in Book-Entry form only.
There will be no definitive securities offered.

Gary L. Perlín
Senior Vice President-
Finance and Treasurer

Linda K. Knight
Vice President and
Assistant Treasurer

3300 Wisconsin Avenue, N.W., Washington, D.C. 20016

This announcement appears as a matter of record only. This announcement is neither an offer to sell nor a solicitation of an offer to buy any of the Debentures.

INVESTMENT TRUSTS - Cont.
1981

19	82	35.6	47.4	5.8
20	82	12.0	34.4	4.6
21	82	6.2	26.2	3.4
22	82	5.2	26.2	3.4
23	82	5.2	26.2	3.4
24	82	5.2	26.2	3.4
25	82	5.2	26.2	3.4
26	82	5.2	26.2	3.4
27	82	5.2	26.2	3.4
28	82	5.2	26.2	3.4
29	82	5.2	26.2	3.4
30	82	5.2	26.2	3.4
31	82	5.2	26.2	3.4
32	82	5.2	26.2	3.4
33	82	5.2	26.2	3.4
34	82	5.2	26.2	3.4
35	82	5.2	26.2	3.4
36	82	5.2	26.2	3.4
37	82	5.2	26.2	3.4
38	82	5.2	26.2	3.4
39	82	5.2	26.2	3.4
40	82	5.2	26.2	3.4
41	82	5.2	26.2	3.4
42	82	5.2	26.2	3.4
43	82	5.2	26.2	3.4
44	82	5.2	26.2	3.4
45	82	5.2	26.2	3.4
46	82	5.2	26.2	3.4
47	82	5.2	26.2	3.4
48	82	5.2	26.2	3.4
49	82	5.2	26.2	3.4
50	82	5.2	26.2	3.4
51	82	5.2	26.2	3.4
52	82	5.2	26.2	3.4
53	82	5.2	26.2	3.4
54	82	5.2	26.2	3.4
55	82	5.2	26.2	3.4
56	82	5.2	26.2	3.4
57	82	5.2	26.2	3.4
58	82	5.2	26.2	3.4
59	82	5.2	26.2	3.4
60	82	5.2	26.2	3.4
61	82	5.2	26.2	3.4
62	82	5.2	26.2	3.4
63	82	5.2	26.2	3.4
64	82	5.2	26.2	3.4
65	82	5.2	26.2	3.4
66	82	5.2	26.2	3.4
67	82	5.2	26.2	3.4
68	82	5.2	26.2	3.4
69	82	5.2	26.2	3.4
70	82	5.2	26.2	3.4
71	82	5.2	26.2	3.4
72	82	5.2	26.2	3.4
73	82	5.2	26.2	3.4
74	82	5.2	26.2	3.4
75	82	5.2	26.2	3.4
76	82	5.2	26.2	3.4
77	82	5.2	26.2	3.4
78	82	5.2	26.2	3.4
79	82	5.2	26.2	3.4
80	82	5.2	26.2	3.4
81	82	5.2	26.2	3.4
82	82	5.2	26.2	3.4
83	82	5.2	26.2	3.4
84	82	5.2	26.2	3.4
85	82	5.2	26.2	3.4
86	82	5.2	26.2	3.4
87	82	5.2	26.2	3.4
88	82	5.2	26.2	3.4
89	82	5.2	26.2	3.4
90	82	5.2	26.2	3.4
91	82	5.2	26.2	3.4
92	82	5.2	26.2	3.4
93	82	5.2	26.2	3.4
94	82	5.2	26.2	3.4
95	82	5.2	26.2	3.4
96	82	5.2	26.2	3.4
97	82	5.2	26.2	3.4
98	82	5.2	26.2	3.4
99	82	5.2	26.2	3.4
100	82	5.2	26.2	3.4

[illegible]

15	5.1	30	17.5
16	5.2	31	17.5
17	5.3	32	17.5
18	5.4	33	17.5
19	5.5	34	17.5
20	5.6	35	17.5
21	5.7	36	17.5
22	5.8	37	17.5
23	5.9	38	17.5
24	6.0	39	17.5
25	6.1	40	17.5
26	6.2	41	17.5
27	6.3	42	17.5
28	6.4	43	17.5
29	6.5	44	17.5
30	6.6	45	17.5
31	6.7	46	17.5
32	6.8	47	17.5
33	6.9	48	17.5
34	7.0	49	17.5
35	7.1	50	17.5
36	7.2	51	17.5
37	7.3	52	17.5
38	7.4	53	17.5
39	7.5	54	17.5
40	7.6	55	17.5
41	7.7	56	17.5
42	7.8	57	17.5
43	7.9	58	17.5
44	8.0	59	17.5
45	8.1	60	17.5
46	8.2	61	17.5
47	8.3	62	17.5
48	8.4	63	17.5
49	8.5	64	17.5
50	8.6	65	17.5
51	8.7	66	17.5
52	8.8	67	17.5
53	8.9	68	17.5
54	9.0	69	17.5
55	9.1	70	17.5
56	9.2	71	17.5
57	9.3	72	17.5
58	9.4	73	17.5
59	9.5	74	17.5
60	9.6	75	17.5
61	9.7	76	17.5
62	9.8	77	17.5
63	9.9	78	17.5
64	10.0	79	17.5
65	10.1	80	17.5
66	10.2	81	17.5
67	10.3	82	17.5
68	10.4	83	17.5
69	10.5	84	17.5
70	10.6	85	17.5
71	10.7	86	17.5
72	10.8	87	17.5
73	10.9	88	17.5
74	11.0	89	17.5
75	11.1	90	17.5
76	11.2	91	17.5
77	11.3	92	17.5
78	11.4	93	17.5
79	11.5	94	17.5
80	11.6	95	17.5
81	11.7	96	17.5
82	11.8	97	17.5
83	11.9	98	17.5
84	12.0	99	17.5
85	12.1	100	17.5

16	86.4	173
17	86.5	181
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99	654	654
100	655	655

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MINEE – Cont.

Yr	PE	Notes
56	2.5	Silberman
57	2.5	Vera Pardo
58	2.5	Wang
59	1.5	Western Deep
60	0.7	Chapman
61	—	—
62	4.4	O.F.S.
63	2.3	Beatty
64	1.5	P.S. Condo
65	1.5	Shaw & Sons Dry
66	1.5	Harmony
67	3.0	Lee (P.)
68	3.0	Lee (P.)
69	1.5	S. Helms
70	3.0	—
71	1.8	—
72	—	—
73	—	—
74	2.5	Discussed and Pled
75	—	Angus Ann
76	—	De Beers Ltd. Ute
77	—	—
78	—	Imperial
79	—	Northrop
80	—	Rustenburg
81	—	—
82	—	—
83	3.0	Central African
84	1.5	—
85	—	Wynberg Coal Co
86	—	Wolffsohn's
87	—	—
88	2.5	Zambia Corp SMO
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55	1.2	Time
56	1.3	9.9 Myanmar MS
57	1.4	10.0 Myanmar MS
58	1.5	10.1 Myanmar MS
59	1.6	10.2 Myanmar MS
60	1.7	10.3 Myanmar MS
61	1.8	10.4 Myanmar MS
62	1.9	10.5 Myanmar MS
63	2.0	10.6 Myanmar MS
64	2.1	10.7 Myanmar MS
65	2.2	10.8 Myanmar MS
66	2.3	10.9 Myanmar MS
67	2.4	11.0 Myanmar MS
68	2.5	11.1 Myanmar MS
69	2.6	11.2 Myanmar MS
70	2.7	11.3 Myanmar MS
71	2.8	11.4 Myanmar MS
72	2.9	11.5 Myanmar MS
73	3.0	11.6 Myanmar MS
74	3.1	11.7 Myanmar MS
75	3.2	11.8 Myanmar MS
76	3.3	11.9 Myanmar MS
77	3.4	12.0 Myanmar MS
78	3.5	12.1 Myanmar MS
79	3.6	12.2 Myanmar MS
80	3.7	12.3 Myanmar MS
81	3.8	12.4 Myanmar MS
82	3.9	12.5 Myanmar MS
83	4.0	12.6 Myanmar MS
84	4.1	12.7 Myanmar MS
85	4.2	12.8 Myanmar MS
86	4.3	12.9 Myanmar MS
87	4.4	13.0 Myanmar MS
88	4.5	13.1 Myanmar MS
89	4.6	13.2 Myanmar MS
90	4.7	13.3 Myanmar MS
91	4.8	13.4 Myanmar MS
92	4.9	13.5 Myanmar MS
93	5.0	13.6 Myanmar MS
94	5.1	13.7 Myanmar MS
95	5.2	13.8 Myanmar MS
96	5.3	13.9 Myanmar MS
97	5.4	14.0 Myanmar MS
98	5.5	14.1 Myanmar MS
99	5.6	14.2 Myanmar MS
100	5.7	14.3 Myanmar MS
101	5.8	14.4 Myanmar MS
102	5.9	14.5 Myanmar MS
103	6.0	14.6 Myanmar MS
104	6.1	14.7 Myanmar MS
105	6.2	14.8 Myanmar MS
106	6.3	14.9 Myanmar MS
107	6.4	15.0 Myanmar MS
108	6.5	15.1 Myanmar MS
109	6.6	15.2 Myanmar MS
110	6.7	15.3 Myanmar MS
111	6.8	15.4 Myanmar MS
112	6.9	15.5 Myanmar MS
113	7.0	15.6 Myanmar MS
114	7.1	15.7 Myanmar MS
115	7.2	15.8 Myanmar MS
116	7.3	15.9 Myanmar MS
117	7.4	16.0 Myanmar MS
118	7.5	16.1 Myanmar MS
119	7.6	16.2 Myanmar MS
120	7.7	16.3 Myanmar MS
121	7.8	16.4 Myanmar MS
122	7.9	16.5 Myanmar MS
123	8.0	16.6 Myanmar MS
124	8.1	16.7 Myanmar MS
125	8.2	16.8 Myanmar MS
126	8.3	16.9 Myanmar MS
127	8.4	17.0 Myanmar MS
128	8.5	17.1 Myanmar MS
129	8.6	17.2 Myanmar MS
130	8.7	17.3 Myanmar MS
131	8.8	17.4 Myanmar MS
132	8.9	17.5 Myanmar MS
133	9.0	17.6 Myanmar MS
134	9.1	17.7 Myanmar MS
135	9.2	17.8 Myanmar MS
136	9.3	17.9 Myanmar MS
137	9.4	18.0 Myanmar MS
138	9.5	18.1 Myanmar MS
139	9.6	18.2 Myanmar MS
140	9.7	18.3 Myanmar MS
141	9.8	18.4 Myanmar MS
142	9.9	18.5 Myanmar MS
143	10.0	18.6 Myanmar MS
144	10.1	18.7 Myanmar MS
145	10.2	18.8 Myanmar MS
146	10.3	18.9 Myanmar MS
147	10.4	19.0 Myanmar MS
148	10.5	19.1 Myanmar MS
149	10.6	19.2 Myanmar MS
150	10.7	19.3 Myanmar MS
151	10.8	19.4 Myanmar MS
152	10.9	19.5 Myanmar MS
153	11.0	19.6 Myanmar MS
154	11.1	19.7 Myanmar MS
155	11.2	19.8 Myanmar MS
156	11.3	19.9 Myanmar MS
157	11.4	20.0 Myanmar MS
158	11.5	20.1 Myanmar MS
159	11.6	20.2 Myanmar MS
160	11.7	20.3 Myanmar MS
161	11.8	20.4 Myanmar MS
162	11.9	20.5 Myanmar MS
163	12.0	20.6 Myanmar MS
164	12.1	20.7 Myanmar MS
165	12.2	20.8 Myanmar MS
166	12.3	20.9 Myanmar MS
167	12.4	21.0 Myanmar MS
168	12.5	21.1 Myanmar MS
169	12.6	21.2 Myanmar MS
170	12.7	21.3 Myanmar MS
171	12.8	21.4 Myanmar MS
172	12.9	21.5 Myanmar MS
173	13.0	21.6 Myanmar MS
174	13.1	21.7 Myanmar MS
175		

[illegible][illegible]

32	—
5.1	29
6.8	54
6.9	70
7.4	30
8.8	—
10.8	45
14.8	12
17.4	—
19.9	75
42	3.1
4.1	—
1.6	51

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Rate worries depress dollar

THE DOLLAR lost ground yesterday on fears that sluggish American growth will force the Federal Reserve to ease monetary policy, perhaps as early as next week.

A sign of the bearishness towards the dollar was that it was not helped by the Bundesbank's decision to raise interest rates. Instead, fears of a cut in US rates dominated trading.

The dollar closed at DM1.5890 from DM1.5740 and to Y129.70 from Y129.50 and is now close to the lows struck last month when speculation was building up about the last easing of policy.

The release of the November employment report today is eagerly awaited by foreign exchange operators. The belief among many dealers is that a weak set of numbers could trigger an easing.

The latest figures on new applications for unemployment insurance benefits in the week ended November 23 were not encouraging. They rose by 57,000 to a seasonally adjusted 471,000, while the four week moving average measure, which is watched by many analysts, rose to 458,000 from 445,250.

The November jobs report is expected to reveal a 22,000 drop in non-farm payroll employment, compared with the October decline of 1,000. But some

US economists are more bearish and are forecasting a decline in excess of 50,000.

With the US economy failing to grow any faster and a presidential election looming next year, there is widespread talk that there could be another cut in interest rates.

A ¼ point easing in the Federal Funds rate to 4 ½ per cent along with a ¼ point cut in the discount rate is being canvassed. But the American monetary authorities may want to wait until the November inflation figures are released at the end of next week.

The D-Mark was firm against ERM currencies despite the Bundesbank's decision not to raise rates. The belief that Germany will tighten policy after the next Bundesbank council meeting in a fortnight's time bolstered the mark.

Against the French franc, the mark crept up towards the level which the Bank of France

was recently forced to defend. The lira was also weak and the Bank of Italy intervened in the currency markets selling

sterling for lira and scudi. Sterling was about depressed, falling back to DM2.8500 from DM2.8625. Sterling also drifted to \$1.7895 from \$1.7735.

The Scandinavian currencies were actively traded after the hike in Swedish rates to 17 ½ per cent from 11 ½ per cent.

The move bolstered the krona, with the mark falling to SKR3.6830 from SKR3.6990. Swedish corporate players were active buyers of the krona, while international

investors sold on fears that Sweden could yet be forced to follow Finland and devalue its currency.

The Norwegian and Finnish currencies also came under pressure. But the Swedish market was buoyant enough for the central bank to rebuild its reserves by selling krona.

EMS EUROPEAN CURRENCY UNIT RATES

	Ex Central Bank	Current Market	% Change from Dec 5	% Change from Dec 5	% Change from Dec 5
Spanish Peseta	133.631	130.397	-2.43	5.00	42
Belgian Franc	20.336	20.336	0.00	0.00	0
French Franc	6.54553	6.54553	0.00	0.00	0
German Mark	1.00000	1.00000	0.00	0.00	0
Italian Lira	2036.268	2036.268	0.00	0.00	0
Portuguese Escudo	200.482	200.482	0.00	0.00	0
Irish Punt	7.87564	7.87564	0.00	0.00	0
Spanish Ptas	166.639	166.639	0.00	0.00	0
Portuguese Escudo	200.482	200.482	0.00	0.00	0
Irish Punt	7.87564	7.87564	0.00	0.00	0
Spanish Ptas	166.639	166.639	0.00	0.00	0
Portuguese Escudo	200.482	200.482	0.00	0.00	0
Irish Punt	7.87564	7.87564	0.00	0.00	0
Spanish Ptas	166.639	166.639	0.00	0.00	0
Portuguese Escudo	200.482	200.482	0.00	0.00	0
Irish Punt	7.87564	7.87564	0.00	0.00	0
Spanish Ptas	166.639	166.639	0.00	0.00	0
Portuguese Escudo	200.482	200.482	0.00	0.00	0
Irish Punt	7.87564	7.87564	0.00	0.00	0
Spanish Ptas	166.639	166.639	0.00	0.00	0
Portuguese Escudo	200.482	200.482	0.00	0.00	0
Irish Punt	7.87564	7.87564	0.00	0.00	0
Spanish Ptas	166.639	166.639	0.00	0.00	0
Portuguese Escudo	200.482	200.482	0.00	0.00	0
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Irish Punt	7.87564	7.87564	0.00	0.00	0
Spanish Ptas	166.639	166.639	0.00	0.00	0
Portuguese Escudo	200.482	200.482	0.00	0.00	0
Irish Punt	7.87564	7.87564	0.00	0.00	0
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Portuguese Escudo	200.482	200.482	0.00	0.00	0
Irish Punt	7.87564	7.87564	0.00	0.00	0
Spanish Ptas	166.639	166.639	0.00	0.00	0
Portuguese Escudo	200.482	200.482	0.00	0.00	0
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Portuguese Escudo	200.482	200.482	0.00	0.00	0
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Portuguese Escudo	200.482	200.482	0.00	0.00	0
Irish Punt	7.87564	7.87564	0.00	0.00	0
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Portuguese Escudo	200.482	200.482	0.00	0.00	0
Irish Punt	7.87564	7.87564	0.00	0.00	0
Spanish Ptas	166.639	166.639	0.00	0.00	0
Portuguese Escudo	200.482	200.482	0.00	0.00	0
Irish Punt	7.87564	7.87564	0.00	0.00	0
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Portuguese Escudo	200.482	200.482	0.00	0.00	0
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Portuguese Escudo	200.482	200.482	0.00	0.00	0
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Spanish Ptas	166.639	166.639	0.00	0.00	0
Portuguese Escudo	200.482	200.482	0.00	0.00	0
Irish Punt	7.87564	7.87564	0.00	0.00	0
Spanish Ptas	166.639	166.639	0.00	0.00	0
Portuguese Escudo	200.482	200.482	0.00	0.00	0
Irish Punt	7.87564	7.87564	0.00	0.00	0
Spanish Ptas	166.639	166.639	0.00	0.00	0
Portuguese Escudo	200.482	200.482	0.00	0.00	0
Irish Punt	7.87564	7.87564	0.00	0.00	0
Spanish Ptas	166.639	166.639	0.00	0.00	0
Portuguese Escudo	200.482	200.482	0.00	0.00	0
Irish Punt	7.87564	7.87564	0.00	0.00	0
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NASDAQ NATIONAL MARKET[illegible]

3:00 pm prices December

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FOREIGN BUSINESS NEWSPAPER

FOREIGN BUSINESS NEWSPAPER

Prospects are better in Taipei, but investors are playing it safe, writes **Antonia Sharpe**

1. *Journal of the American Medical Association*, 1997; 277: 1033-1036.

RECRUITMENT

JOBS: Adrian Furnham considers the pitfalls for employers of taking up job applicants' references

Reading the message between the lines

Despite their shortcomings, the employment interview and the letter of recommendation remain the most prevalent methods of evaluating prospective employees.

Enough has been said and written about the employment interview but what of the quiet custom of requesting letters of reference and testimonials? Why do we call for them? How does one spot classic lies, attempts to fudge or obfuscate?

What people are usually doing when they seek references is increasing the size of the selection committee; adding to the number of people making the judgment on the candidate; spreading the blame or at least diffusing responsibility.

Furthermore reference writers are supposed to know the candidate extremely well and be in a position to comment on his or her behaviour, skills, abilities and temperament on, as well as off, the job.

In this sense they represent what one might call, in medical circles, an expert second opinion. From this point of view they appear desirable - given the difficulty of trying to

get rid of people that one has mistakenly appointed.

Requests for references come in many forms as indeed do testimonials though we are probably seeing less of the latter. Some simply tell the referee that a person known to them has applied for a certain position, and would they be so kind as to state the extent to which the candidate was suitable. Other requests require comment on the extent to which the candidate is punctual, socially adept, computer literate, hypochondriacal and so on.

Some references require one to fill out rating scales going from outstanding to poor and using wonderfully school-master phrases like satisfactory and average. The range, format and purpose of references never ceases to amaze me.

Years ago, while a post-graduate, a friend of mine applied for a holiday job at Harrods. For some reason it was thought she would be well suited to the fish counter. She was asked to

nominate referees and I was chosen presumably because I would use (on her request) Oxford University notepaper.

The request duly arrived and I dutifully completed it as requested. Of course I never mentioned that my friend was the sticky type given to taking to her bed when the trials and tribulations of this world got too much for her. Neither did I mention that she was a Marxist opposed to nearly everything that capitalist Knightsbridge stood for. More recently I received a four page questionnaire on one of my past students that seemed more exhaustive than that required for positive vetting. It could have been a way of collecting what is now called biodata and took hours to complete.

There are, in my view, three factors which render references of which ever sort, pretty worthless: frequently referees are chosen/nominated by the candidates and so are biased; there are unwritten, implicit and hence ambiguous rules for

writing references in code; one cannot be sure of the motives of the writer in completing the reference.

The first problem lies in who the references are obtained from. Some interview panels are completely non-specific, requesting letters from "two people who know you well". Others specify your boss, immediate superior, former lecturer - but these often give the candidate pretty extensive leeway to choose another.

It is comparatively rare that candidates are required to get a reference from someone mentioned by name and hence the exact choice of reference writer is open to potential abuse. One trick is to get a high status referee.

Secondly, the fact that references are written in a sort of code of their own makes them difficult to crack. They are dreadfully one-sided and it is quite difficult to recognise either the referee, however well one knew them. Some nationalities are worse than

others - they write as if every student is an Einstein, every worker a Stakhanovite, every leader a Churchill. These references are worthless because they fail to discriminate the able from the unable, the competent from the incompetent, the efficient from the inefficient.

The British, however, are uncomfortable with excess - particularly praising - preferring to understate. They also like a hint of criticism believing that it is better to praise that way. They also use coded phrases that earned them the reputation for being perfunctory.

For "while Mr Smith was occasionally a little lapse in time keeping..." read he is habitually late; "Clearly growing out of earlier irresponsibility" means remains immature; "At her best with close friends" should read socially unskilled with clients and "got a well deserved lower second" should read "is rather dull".

Debre's, that most celebrated of etiquette books,

warns prospective hirers of good manners: "A too brief letter of reference gives some clue to investigate further, and if a previous employer is less than enthusiastic about a former employee a telephone chat will make the situation quite clear." But will it? What reason is there to suppose that people who are tactful and diplomatic (dishonest) in print cannot or will not be the same on the telephone?

I suspect a phone call may bring specific answers to specific questions but, unless the reference writer is scared of being sued, he will give very much the same impression as the written reference.

The final problem lies in the motives of the reference writer. The loss of an employee has consequences - some good, others bad - and it is not difficult to see how these might influence the writer of a reference. Debre's again on references for household staff: "When giving a reference, it is not fair to recommend an

employee whom you would not employ yourself. On the other hand, it is essential to remember the importance of a good reference to someone seeking a household post, so even if you are smarting with annoyance you must be scrupulously fair and explain the good points of the applicant as well as the bad." True enough but rarely done.

There is a temptation to put in a positive recommendation hoping that someone else will inherit your problems. This is a more common and more serious sin than writing a bad reference for a good employee that one may wish to retain. By definition if they are good, employees will do well despite poor or even non-existence references.

I rest my case against references, not only on personal experience but also on that most respectable and difficult to define of all activities, research.

Studies in the area of organisational behaviour and personnel psychology have shown that letters of reference on applicant competence are not predictive of future job performance. This is mainly due to the fact that they are too homogeneous with respect to the evaluation of applicant attributes and qualifications because everyone is characterised as "somewhat desirable".

However it has been observed that some negative comments among the positive may be seen as a sign of honesty on the part of the referee. Many otherwise intelligent and sceptical employees and educationalists believe that with a modicum of common sense, the process of selection is straightforward. Far from it, as people who have studied the issue know to their own cost.

Outdated, invalid and corruptible methods are still used and misplaced faith invested in them. Letters of reference are, in general, too susceptible to bias of one form or another, to be of any real value in making the generally difficult decision of selection, appointment and promotion.

Adrian Furnham is head of the Business Psychology Unit at University College, London WC1

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The Nation's Building Society

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JONATHAN WREN

ANALYST

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Connaught-Mainland

Testing time for professional demarcation lines

By Andrew Jack

Law is law and accountancy is accountancy, and never the twain shall meet.

THE PHRASE may not have quite the rhythm of Rudyard Kipling's original verse about East and West, but its message stands firm: some observers believe too many accountants and lawyers consider themselves in isolation, and neglect the important links connecting their areas of activity.

The colonial connotations of Kipling's version are also relevant. Yves Dezalay, a French sociologist, likens the contemporary growth in the two professions to the age of empire building. "As with the discovery of colonies, the opening up of new markets gives rise to fearsome appetites for power," he says.

In Europe at least, the big audit firms have led the way, striving to usurp subjects traditionally dominated by lawyers. In an effort to both expand their income and to gain some of the social prestige traditionally given to their rivals.

Only a few areas of practice representation in higher courts on the one hand, or auditing accounts on the other - are protected by a legal monopoly. Elsewhere the demarcation lines are being increasingly tested.

Dezalay argues that many lawyers and some accountants - have resisted the great

diversification which has been turning their professions into "supermarkets" of business services over the last few years. Should experts leave their "cloisters" to become business people, or will they lose their legitimacy and independence if they do so?

Although he is somewhat short on explanation, he argues that for a long time top European lawyers disdained developing areas of practice like tax law consultancy, which were "progressively appropriated by accountancy firms" as a result. A survey last year suggested that there were 3,500 taxation experts in the top six British accountancy firms, compared with 150 in the biggest six City law firms.

There is nothing new in the separation between accountancy and law. Nearly 100 years ago, in 1897, Lord Halsbury said: "Accountants are the one subject of which lawyers are supposed to know nothing."

Nowhere are the professional walls more strongly constructed and maintained than in academia. According to a study in 1988, only nine of 24 British university law faculties surveyed covered accounts in their courses on company law.

An attempt to redress the balance is made in a series of academic articles just published in a special edition of, significantly, a law journal. It contains eight pieces written by academic lawyers and

accountants attempting to write for those beyond their own specialist audience, as well as the one by Dezalay as an outsider looking in.

"The issue seems less a matter of how existing boundaries will be re-marked, more a question of whether accountants and lawyers will remain discrete professional groups," writes the general editor of *The Modern Law Review* in a

side of tax, for example, with little reference to case law. They tend to study law as simply one of a range of specialties, giving it brief and often over-simplified treatment.

"Legal concepts may be missing and a deeply entrenched attitude to law as a set of tedious technicalities to be learned by rote may have been instilled by the educational system," the two ac-

countancy is still firmly dominated by law. In the US, law firms have grown and diversified far more than their European counterparts, and are strong in tax work. Even in the UK, accountancy is historically largely a by-product of the law and its processes, as Christopher Napier and Christopher Noye, two other contributors to the journal, point out.

Even so, the emphasis on techniques in general and quantification in particular, and the drive by accountants to establish themselves as a separate profession, has led to a clear segregation in Britain which finds parallels in many other countries.

The emphasis on techniques in general and quantification in particular, and the drive by accountants to establish themselves as a separate profession from the law, has led to a clear segregation in Britain which finds parallels in many other countries.

somewhat ambitious preface.

The two editors of the special issue, both from the London School of Economics, are acutely aware of these boundaries. Judith Freedman is senior research fellow in company and commercial law, and Michael Power is a lecturer in the department of accounting and finance.

Freedman says that many of her law students have a real fear of figures. "One of the first questions they ask me before enrolling for my course on taxation is whether they will have to deal with numbers."

At the same time, Power argues that accountants learn the computational

demics warn in their introductory article in the journal.

The gaps in students' knowledge may later be filled through continuing education courses or once they enter employment with a practice. But Freedman and Power suggest that there are increasing incentives to exaggerate the differences between accountancy and law later in life. Lecturers may try to enhance their own skills by emphasising their "elite knowledge" of an alien subject; at the extreme, they may be essentially marketing themselves or the expertise of their firm.

The situation is not the same everywhere. In Germany,

the law as a technical matter which can be changed if necessary. The law may be supportive, but they certainly do not consider it as the sole determinant of accounting policy.

In the past, lawyers have been willing to leave much of the detail of accounting regulation to the accountants. Many of the concepts embodied, such as the "true and fair view" accounts are supposed to give, have barely been tested in the courts.

In the future, Freedman and Power suggest this is all likely to change. The growing complexity of financial markets and their associated regulation is only one example of how accountancy and law are becoming more inter-disciplinary. The Accounting Standard Board's philosophy on financial reporting will add to the tensions between the professions, they argue.

Overcoming the barriers will be rather more difficult. Nevertheless, now that the Orient meant by "East" in Kipling's original verse has come to be associated with the ossified and isolationist Communist regimes, no doubt both accountancy and law would rather be associated with the "West". The journal makes a tentative step to help the professions move in that direction.

"The Modern Law Review", vol 54, no. 6. Law and accountancy special issue. Basil Blackwell, Oxford. £12.25.

FINANCIAL CONTROLLER

Engineering Industry
to £35,000 : Midlands



March Recruitment Advertising

This is a key appointment within a £400 million high technology engineering based manufacturing company.

Your objective will be to build a team and introduce effective controls to efficiently and profitably manage all financial aspects of major contracts.

You will be an experienced qualified accountant with an in-depth knowledge of engineering/manufacturing operations and a flair for integrating financial control systems with material and production controls, etc.

Ambitious, well motivated candidates will need to demonstrate a record of financial and managerial achievement in substantial companies in the engineering/manufacturing sector.

Benefits include car, pension and relocation assistance. There are good prospects for wider career development.

Replies will be forwarded directly to our client. Please write with full CV, listing separately any companies to whom your application should not be sent and quoting reference A319, to March Recruitment Advertising, Telegraphic House, Waterfront 2000, Salford Quays, Manchester M5 2KW.

HEAD OF COMPUTER AUDIT

c£35,000 + Car

Southern Home Counties

Our Client, a £1 billion turnover service company employing over 6,000 people is currently undergoing substantial redirection and development. Their strategy is to further enhance profitability and service quality via a programme of reorganisation and investment in new technology.

Reporting to a newly appointed Audit Manager, the Head of Computer Audit will be responsible for the review of both operational and financial systems. Specific duties will include:-

- Development of an audit strategy and plan.
- Development of audit and department software and the training of audit staff.
- Ensuring that audit methods meet the highest professional standards.
- Establishment of constructive working relationships between the audit and other management functions.

Aged 27 to 37, the successful candidate will be a high calibre qualified Accountant seeking a new challenge in a dynamic environment. Prior experience will have been gained in the computer audit function of one of the major public accountancy practices or a large plc, the prerequisite being that this audit experience has been within IBM mainframe, mini and PC environments. The nature of the role demands well developed communication skills, enthusiasm and initiative.

Please apply directly to Ingrid Flannery at Robert Half, Freeport, Walter House, 418 The Strand, London, WC2R 0BR. Telephone: 071-836 3543. Alternatively, fax your details on 071-836 4942.

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THE HUMAN FACTOR

THE SALVAGE ASSOCIATION



Chief Accountant

To £40,000 + Car

City

■ The Salvage Association, a prestigious and unique international organisation with headquarters in the City, requires a Chief Accountant. The Association is pre-eminent in its field, providing marine surveying services to Underwriters throughout the world. There is a total staff of 250, many of whom are expatriate surveyors based in 32 branch offices in sixteen countries.

■ Reporting to the General Manager, the successful candidate will be responsible for the Association's accounting worldwide, with an immediate staff of 25. Head Office accounts are supported by a sophisticated computer system. In addition to accounting responsibilities, the Chief Accountant will work closely with the General Manager on worldwide administrative and pension policies. The Association generates revenue of some £24 million annually and is funded, in part, by the Institute of London Underwriters and Lloyd's markets

to whom it provides many services.

■ Candidates should be qualified accountants, aged 40-55, with strong management skills, who would enjoy working in a flexible environment and whose responsibilities will have extended beyond those of pure finance. They should have the ability to relate effectively at all levels within the Association and within the London and foreign insurance markets. Experience of expatriate life and insurance would be beneficial.

■ Please write with career details including current remuneration and quoting reference CA375 to Carrie Andrews, Ernst & Young Corporate Resources, Becket House, 1 Lambeth Palace Road, London SE1 7EL.

ERNST & YOUNG

To £150,000 plus share options

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Group Finance Director

Highly rated, fast growing, medium sized UK plc with spread of US and European service businesses requires very high calibre Group Finance Director to support a period of rapid development, including acquisitions. Corporate finance, tax and treasury experience with a premier international plc important.

THE ROLE

■ Key member of top management team, with full accountability for accounting systems, management information and overseas reporting, during a period of change and growth.

■ Significant exposure to the City and lead involvement in the acquisition process.

■ Active role demanding full participation in the management and strategic direction of the business.

THE QUALIFICATIONS

■ Intellectually bright ACA with sharp commercial focus. Likely to be fast-track late thirties, with experience in operating and head office roles.

■ Technically strong, exposed to applying tight controls to a fast growing business, with prior experience of acquisitions negotiation and integration.

■ Capable of tackling a demanding work load and motivating staff in a fast-paced business. Proven business judgement and boardroom stature essential.

London 071-973 0889
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Please reply, enclosing full details, to:
Selector Europe, Ref F429121L,
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071-973 0889

Financial Controller

Director Designate

£30,000 pa + substantial benefits Merseyside

Our client, an old established private successful company, occupying modern office premises and operating within a specialised process industry, having a sales turnover of some £12 million per annum, is seeking to recruit an experienced qualified Accountant to join the professional management team, as Director designate.

Candidates, aged 30-45, must be able to demonstrate a progressive career, coupled with practical hands-on experience within dynamic environments, of both the accounting and company secretarial disciplines, where they will have contributed significantly to the commercial well being of an organisation.

It is considered the post offers attractive long term career prospects to a qualified Accountant, with the energy and ambition to succeed in a challenging role as a Director of a dynamic business. An attractive remuneration package, including a service contract upon a Board appointment being confirmed, is available to the successful candidate in return for long term commitment.

Applications in writing please, giving full details of your career to date and contact telephone numbers, quoting reference L6409 to George Hopwood, Grant Thornton Management Consultants, Heron House, Albert Square, Manchester M2 5HD.

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FINANCE DIRECTOR

To develop the commercial aspects of management
In this international engineering business

Up to £40,000 + car

West London

Companies described as being "turned around" are usually still heading for the cliff, or even already hanging off it! In this case, however, a long-standing and substantial profit record has created a solid foundation for the new Managing Director, who is determined to increase the company's share of a growing market. The task will go beyond the mere creation of management information systems and production of accounts, however vital these areas are; essentially it will involve assistance to the MD in his encouragement of a more forward looking, achievement-oriented culture. This inevitably means that business attitudes and personal style will be as important in our selection as professional strength. Ideal candidates, certainly qualified and possibly already heading their own finance function, will have a background in manufacturing, preferably in engineering. Their core skills in financial management must be complemented by communication skills and a demonstrable ability to achieve business objectives, while experience with a substantial group operating internationally will be a distinct advantage. Please send full career details, quoting reference WE 1101, to Dave Denny, Ward Executive Limited, Academy House, 26-28 Sackville Street, London W1X 2QL. Tel: 071-439 4581.

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SOUTH WEST WATER

Finance Director

Exeter

Excellent Package

A key commercial and strategic role in a fast developing, success driven service environment. A real career challenge to an ambitious, first class Finance Professional.

THE COMPANY

- Core business of South West Water plc, providing water and sewerage services to a complex, expanding customer base.
- Turnover £160 million. Budgeted capital expenditure of £1.4 billion at current values.
- Real commitment to service and quality. Group strategy of further growth and diversification at home and abroad.

THE POSITION

- Responsible to MD for all financial, management, capital and regulatory accounting. Supporting profit centres with financial control and advice.
- Reviewing and optimising reporting systems, tariffs and charging structures.

Managing and developing a team of 200 to provide industry leading performance standards.

QUALIFICATIONS

- Dynamic, determined and creative graduate Accountant with proven record at plc FD or senior Financial Controller level.
- A charismatic leader, profit orientated with outstanding business and interpersonal skills.
- Ideally systems and tax literate. Age probably 35 to 45.

Please reply in writing, enclosing full cv, Reference AK4891
37 Queen Square, Bristol, BS1 4QS

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Divisional Finance Director

Northern Home Counties c£50,000 + Bonus + Car

Our client is a major force in the rapidly expanding and highly competitive environmental services sector. Turnover of £70m is generated from operations throughout the UK and the company has ambitious plans to develop its market presence, both organically and by acquisition.

This is a new appointment, designed to strengthen the existing management team by the addition of high calibre commercial and financial expertise. As well as the normal control and reporting requirements associated with a position at this level, the successful applicant will be expected to play a major role in business development, bringing a creative and imaginative financial approach to the formulation and execution of expansionary commercial strategies.

Candidates, aged up to 45, should be qualified accountants who are currently operating at Board level in the construction, transport, property or related areas. A demonstrable track record of success in financial management, coupled with excellent technical, commercial, communication and leadership skills is essential. Career development opportunities within this dynamic PLC will be substantial.

Interested applicants should forward a comprehensive CV quoting ref: 2647, to Alan Dickinson FCMA, Executive Division, Michael Page Finance, 39-41 Parker Street, London WC2B 5LH (Tel: 071-831 2000).

Michael Page Finance
Specialists in financial recruitment
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Karriere-Chance in Deutschland: Internationales Finanzwesen/Controlling

Unser Beratungskunde ist ein bedeutender Hersteller von High-Tech-Geräten und Systemen, die weltweit durch eigene Vertriebsorganisationen in 20 Ländern an den Handel vertrieben werden. Der Umsatz liegt bei 220 Mio. €. Die Zentrale dieser Division eines europäischen Konzerns befindet sich in London, verschiedene Bereiche werden im Rahmen einer Umstrukturierung in den Großraum Frankfurt verlegt werden. Hier eröffnet sich nach einer etwa 2monatigen Einarbeitung in London die Einstiegs-Chance für einen jüngeren

Finanzbuchhalter/Junior Controller

- ca. 30.000,- £ p.a. -

Ihre Aufgaben: Konsolidieren und Erstellen von Monatsberichten, Erarbeitung der Vierteljahres-Prognosen und Jahres-Budgets, Erledigung kurzfristig anfallender Projekte für das Management sowie ständige, enge Zusammenarbeit mit den Controllern der verschiedenen Gesellschaften in Fragen, die sich im Spektrum zwischen Buchführungssystemen und grundsätzlichen Buchhaltungsthemen ergeben können.

Ihr Profil: Nach Ihrem Abschluss als Diplom-Kaufmann bzw. MBA sollten Sie entweder erste Berufserfahrung im Finanz- und Rechnungswesen bzw. Controlling eines vorzugsweise international operierenden Unternehmens gesammelt oder in einer WP-Gesellschaft vergleichbare Strukturen kennengelernt haben. Daneben bringen Sie ein breitangelegtes EDV-Interesse und -Wissen mit, das es Ihnen ermöglichen wird, ein neues Reporting-System auf einer AS 400 zu erlernen und mit zu implementieren. Lotus 1-2-3, insbesondere die Finanzbuchhaltungsprogramme, kennen Sie aus eigener Praxis.

Persönlich sollten Sie Freude daran haben, flexibel und eigenverantwortlich in einem überschaubaren, hochkarätigen Team ziel- und ergebnisorientiert - auch unter Termindruck - mitzuarbeiten. Im übrigen wünschen wir uns einen zweisprachigen (Englisch/Deutsch) Mitarbeiter, der international Akzeptanz findet.

Wollen Sie Ihre Karriere in einem weltweit wachsenden Unternehmen mit interessanten Perspektiven fortsetzen? Dann sollten Sie diese Chance nutzen. Bitte senden Sie Ihren tabellarischen Lebenslauf mit Zeugniskopien, Lichtbild und Angabe Ihres heutigen Jahreseinkommens unter Kennziffer 5163, z.Hd. von Frau Dr. Kerstin Steiner, Postfach 75 03 49, 6000 Frankfurt/M. 75.

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Financial Controller

West Midlands c.£35,000 + car

Our client is part of a £2.5 billion turnover international group and a market leading supplier of automotive parts. It is a major contributor to corporate profitability through a worldwide distribution network. They seek a Financial Controller who, reporting to the Financial Director, will work closely with the Managing Director to provide him with the information needed to control a £430 million turnover business. Likely to be in the age range 28-35 he or she will:

- be a graduate with a recognised accountancy qualification or an MBA with experience of line accounting.
- have had a minimum of 6 years experience in industry/commerce including operational responsibility for accounting and management reporting in a medium sized company or operating unit.
- have developed good commercial skills with initiative and an ability to communicate at the highest levels of management.

This is a senior management appointment and success in the post could lead to a financial director appointment within the Group. A competitive package includes some assistance with relocation where appropriate.

Write in confidence to John Gregory, Search and Selection Division, Breckenridge Consultants Limited, Charter House, 426 Avebury Boulevard, Central Milton Keynes, MK9 2HS demonstrating your relevance clearly and quoting reference 136/FT.

BRECKENRIDGE CONSULTANTS LIMITED

FINANCIAL CONTROLLER

West Midlands to £40,000 + bonus + car

The subsidiary of a major UK plc, this company is the market leader in its specialist service sector niche. It has grown rapidly over the last five years and contributed outstanding profitability.

Reporting to the Director of Finance, you will manage a department of about 25 staff and be responsible for all financial and management accounting activities, including budgeting and reporting. The Controllers of several operating divisions will report to you on a functional basis.

A qualified accountant and probably in your 30's, you will have excellent experience of all aspects of financial control and management reporting, gained in a highly disciplined and professionally managed working environment. Your interpersonal and staff management skills will be of a high order and you should demonstrate the potential and the ambition to progress to director level within the short to medium term. Prospects in the group as a whole are exceptional.

Please send a comprehensive résumé, including day-time telephone number, quoting reference 3219, to Neil Cameron, Touche Ross Executive Selection, 1st Floor, Hill House, 1 Little New Street, London EC4A 3TR.

Touche Ross
MANAGEMENT CONSULTANTS

Financial Controller

North West to £35,000 + Bonus + Car

Our client is an autonomous division of a £100 million turnover UK subsidiary of a US corporation which is a world leader in the manufacture and distribution of specialist food products. Over the last two years, the division has implemented a major investment programme to enhance the growth potential of the business significantly. The current recruitment requirement is an extension of this process.

A proactive, 'hands-on' Financial Controller is sought to work closely with the Managing Director and UK Finance Director, providing broad financial support for the commercial direction of the business. Emphasis will be placed on the presentation and interpretation of management information, and the ongoing development of computerised systems in areas such as costing, treasury and working capital control.

Candidates, likely to be aged over thirty, will be qualified accountants with strong technical ability, combined with senior level experience gained in a fast moving, computerised manufacturing environment. Highly developed commercial and interpersonal skills will be essential for the individual to make an impact in this high profile role.

Interested candidates should send a curriculum vitae to Mark Hurley ACMA, Michael Page Finance, Clarendon House, 81 Mooley Street, Manchester, M2 3LQ, quoting Ref: M14839.

Michael Page Finance
Specialists in financial recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Director of Finance and Business Development

Surrey c£40,000 + Performance Related Pay

St Peter's Hospital, Chertsey has recently been awarded NHS Trust status. With £37M of service contracts it is the major provider of acute health care for NW Surrey. As a Trust, the hospital will be able to build upon its existing reputation for excellence as it seeks to become acknowledged as one of the country's leading General Hospitals.

To help meet this challenge an enthusiastic and ambitious person is required to lead and develop the finance function as an executive member of the Trust Board. Reporting to the Chief Executive, he or she will also take responsibility for business development and information functions. A key task will involve managing existing contracts and seeking out new opportunities for service growth, thus increasing the revenue potential of the Trust.

Candidates will be qualified accountants with several years' experience at a senior level in a large organisation, looking for a major career move. An understanding of the application of modern commercial accounting and IT procedures to an NHS environment will be crucial to success in this role. Candidates without NHS experience must therefore be able to demonstrate an ability rapidly to assimilate an unfamiliar and complex culture. Experience in business planning and marketing is also highly relevant.

Benefits package includes subsidised lease car and relocation assistance.

Interested candidates should forward a comprehensive curriculum vitae quoting Ref: 1201 to Diane Forrester ACA, Michael Page Finance, Executive Selection Division, Page House, 39-41 Parker Street, London WC2B 5LH.

Michael Page Finance
Specialists in financial recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

UK Controller

SOUTH BUCKS/HERTS

Circa £30,000 negotiable package + car + share options

A US company involved in developing and marketing distributed computing software and services is seeking to expand its operations in Europe and the UK. This has given rise to an exceptional opportunity to become part of a fast moving, high growth business.

As part of the management team successfully building and developing the business, you will set up effective systems and controls and be responsible for the preparation of all financial information including reporting to the US.

You will act as Financial Advisor to the Managing Director and make a significant contribution to business planning and taxation.

An ambitious qualified accountant with a minimum of two years' PQE, you have the potential to grow with the company and the ability to achieve results in an unstructured environment. A 'shirt sleeves' approach and high level computer literacy will be essential and a knowledge of US standards and reporting would be useful.

If you are interested in this high-profile and challenging role, fax or send your CV, including salary details, to Andrea Cook, Resource Selection, 36-40 Liverpool Road, Luton, Beds. LU1 1RS. Telephone Number: 0582 422472. Fax Number: 0582 415868 Ref: AJC69

مكازم الأهل

Group Financial Controller

Hemel Hempstead

c.£42,500 + car + benefits

Our client is a medium-sized publicly quoted PLC, whose subsidiary companies design, manufacture and market products used widely within the commercial sector. Business growth is planned both organically and by acquisition in the UK and Europe.

The company wish to appoint a Group Financial Controller to join their highly motivated head office team. Reporting to the Group Finance Director and heading a small staff, responsibilities include financial management of subsidiary reporting and budgetary control, statutory accounting/related fiscal requirements and acquisition evaluation/integration.

The appointee will be a qualified Accountant with strong technical and systems skills developed in a high quality employment background. Candidates ideally aged early to mid 30's should be self-motivated with strong leadership and management qualities, good financial/commercial judgement and the ability to complement a highly regarded management team.

Please write enclosing a CV to John Sheldrake at John Sheldrake Associates, 47 High Street, Little Abington, Cambridge CB1 6BG. Tel: 0223 893910. Fax: 0223 893901.

John Sheldrake Associates

Executive Search & Selection

FINANCE DIRECTOR - DESIGNATE

F.M.C.G.

c. £45,000 + CAR

WEST LONDON

This young and rapidly expanding group has continued to see sustained growth during the last five years through diversification into specialist niche food manufacturing markets both in the UK and Europe. They are now looking to recruit a key individual to play a vital role in the company's future development.

Reporting to the Chairman, you will be responsible for all aspects of financial management, strategy formulation and systems development.

This individual will also be involved with the implementation of strong financial controls over the Company's expanding European operations.

The successful applicant will be a qualified accountant aged between 30 - 40 with strong technical and analytical skills. The ability to work at board level and to liaise throughout the group are of great importance, and you will be expected to have a hands-on approach to all operational and financial matters.

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Equity/Commodity Derivatives

Qualified ACA, 28-35, with first class technical skills and strong management ability to lead and develop the existing team of 6 professionals. From 2-5 years' experience within a sophisticated financial institution is a prerequisite.

These roles provide genuine opportunities to work alongside traders and business managers who expect high level analytical support to enable profit maximisation and control of risk. Opportunities to progress within this highly profitable organisation are superb for candidates who are gifted, hardworking and ambitious to succeed.

Interested candidates should contact Suzie Mummie at BBM Associates Ltd (Consultants in Recruitment) on 071-248 3653 (081-673 2549 evenings/weekends) or write, sending a detailed CV to the address below. All applications will be treated in the strictest confidence.

76, Watling Street, London EC4M 9BJ

BBM

Tel: 071-248 3653 Fax: 071-248 2814

ASSOCIATES

ACCOUNTING MANAGER
Financial Services

M25 - South

£36,000 + bonus + car

This is a challenging opportunity for an experienced accountant seeking management responsibility in a progressive international group. With a flourishing network of branches throughout the UK, our client is now expanding rapidly overseas. During this period of growth, top quality management information and control are essential and the role of Accounting Manager is therefore particularly high profile.

Leading a team of fourteen staff and liaising closely with senior executives throughout the group, the successful candidate will be responsible for controlling a high volume of group expense information. This will entail producing regular management reports, helping analyse the performance of the individual branches and developing controls to enhance the commercial quality of the data generated.

Applicants must be qualified accountants with an established record of leadership and the ability to motivate a diverse

group of people. They should have well-developed management accounting skills gained in a multi-site commercial environment and be able to demonstrate initiative and business acumen.

Whilst a financial services background would be useful, it is not essential. What we are looking for, however, is an individual who is self-assured and credible at the highest levels, with the commitment and skill to make an impact during this exciting period in the company's development.

Please reply in confidence, giving concise career, personal and salary details to Paul Carvosso, quoting Ref. L629.

Egor Executive Selection
58 St. James's Street
London SW1A 1LD (071-629 8070)

EGOR
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**The European Patent Office**

is an international organisation with 14 member states, which currently employs some 4000 staff at its headquarters in Munich and at offices in The Hague, Berlin and Vienna. The organisation has its own pension system, supported by a Pension Reserve Fund, in part externally managed, which is now worth close to DM 1 billion and still growing. It is to administer these resources that we are now looking for an experienced and successful

FUND MANAGER

to assume the day-to-day running of the fund, assisted by a deputy manager and a small staff unit. He/she will be closely involved in planning investment policy and defining related strategies, as well as having regularly to monitor and report on the fund's performance.

The successful applicant will be a national of a European country and possess a University degree or similar qualification (e.g. MBA), having already acquired considerable experience within a major financial institution or multinational corporation. A proven track record, preferably in pension fund management, is essential, as is complete mastery of one of the 3 official languages (English, French, German) of the organisation and an ability to work effectively in the other two.

The contract of employment foresees tax-free remuneration commensurate with the importance of the appointment, together with accompanying benefits. Application forms, to be returned by 20 December 1991, are obtainable from:

The Principal Director, Personnel Department,
European Patent Office,
Erhardstrasse 27, D-6000 Munich 2,
Tel. (Munich) 2399-4318, Fax: (Munich) 2399-2706.

**Management Accountant**

W. Midlands

c£28,000 negotiable + Car

Our client, a Birmingham based, highly specialised unit of a major UK plc, is seeking an individual capable of fulfilling a high profile management accounting role in a sales orientated and technically complex business where timely and accurate management information is of paramount importance.

As a vital member of a tightly knit finance team, you will be responsible for providing business support to senior management in the form of financial analyses, budgets and forecasts, appraisals and systems enhancements. In this context, you will represent the operation's financial interests, both internally and externally, gaining frequent exposure to key decision makers.

Candidates should be commercially astute accountants with 1 to 3 years' experience, gained preferably in a sales driven or service related environment. Essential attributes include a lively mind, well-honed analytical skills and a dynamic, assertive personality. The ability to operate autonomously whilst retaining a flexible, team-spirited attitude is a prerequisite. The group as a whole offers excellent scope for long-term career development.

Please write, in confidence, enclosing full career and salary details, to Tim Knight, quoting reference 5649/10/F.

**Selection & Search**

2-3 Dorset Rise, Blackfriars, London EC4Y 8AE

Financial Positions In A Moscow Joint Venture

This joint venture between a prominent UK multinational and a Moscow state authority has enjoyed tremendous success - a record which will be enhanced by impressive expansion plans. These positions will be based in Moscow and offer an exciting opportunity to be part of the changing face of Russia.

Finance Director

c.£55,000 Gross, Plus Benefits

Reporting to the Managing Director your contribution will be across the whole spectrum of the business rather than in purely financial areas. You will build an overall financial strategy which will continue the venture's success and facilitate its expansion. The introduction of international accounting best-practice as well as familiarisation with Russian law and financial practices, will be key elements. Aged 30 or more, you must be a fully qualified accountant with experience of joint venture or start-up finance. You will be fluent in Russian with a high level of business acumen. Experience in Eastern Europe is preferred. Ref: M19093/FT.

Accountant

c.£35,000 Gross, Plus Benefits

As part of the Operations team you will design, implement and control management accounting systems to enable effective and efficient management of the business. Key elements will be the introduction of micro-computer based financial reporting and the production of financial results in UK format, from local records. Aged 30 or more, you will be a qualified accountant with overseas experience embracing both management and financial accounting. Fluent Russian would be an advantage. Ref: M19094/FT.

Both positions offer an attractive salary backed by overseas allowances. In addition, furnished accommodation will be provided (single or family) with company car, pension, private health facilities and regular visits home.

Male or female candidates should submit in confidence a comprehensive c.v. to: I. Morrow, Hoggett Bowers plc, St. James's Court, 30 Brown Street, MANCHESTER, M2 2JF, 061 832 3500. Fax: 061 834 8577, quoting the appropriate reference.

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FINANCIAL CONTROLLER
Fast-moving Computer Company

Package
c£50,000
+ Car

West
London



Our client has become a dominant force in the marketing and sale of the new generation Unix workstations - a market currently growing at 50% per annum. With a blue chip and international financial institution client base, their outstanding profits, balance sheet and growth record are backed by quality management and a continuing commitment to customer service and technical support.

Reporting to the MD, the Financial Controller will influence the strategy and development of the business as well as managing all aspects of finance, accounting and controls within the company. Appointment to the Board is anticipated in due course.

For this demanding and challenging opportunity the successful candidate, a graduate chartered accountant (27-35 years), must possess high levels of commercial judgement and strategic vision as well as technical, management and communication skills - preferably gained in a sales environment.

If you feel you have the qualities to succeed, contact John Bowman on 071-387 5400 (out of hours on 0474-874473) or write to him quoting reference JB100 655.

FINANCIAL
SELECTION SERVICES

DRAYTON HOUSE, GORDON STREET, LONDON WC1H 0AN.
TEL: 071-387 5400. FAX: 071-388 0857

whiteheadselection

Finance Director

Consumer products manufacturing

North West

c £55,000 + share options + car

A subsidiary of a profitable and progressive British plc, this £100m turnover company manufactures and distributes branded products for the UK and export markets. One of the leading names in its sector, it has significant potential for profit enhancement through increases in market share and reduction of the cost base to ever more competitive levels.

Reporting to, and working closely with, the Managing Director, you will have full responsibility for financial direction and control of the business. A positive and creative contribution to the commercial development of the company is expected. Managing a medium-sized finance and systems function through a period of considerable change is an important aspect of the role.

You will be joining a young, dynamic executive team, where high intellectual calibre and first-class interpersonal skills are prerequisites. A graduate aged mid 30s - early 40s, you must be a qualified accountant, preferably a CA from a leading professional practice. Demonstrable success in a senior financial management position with a sophisticated manufacturer of consumer products is essential.

Strong commercial awareness must be complemented by good leadership and teambuilding skills and an action-orientated style. Interesting career opportunities within the group have been identified for the really able performer. (Ref: 2121)

Please write with CV to Stuart Spindler, Whitehead Selection Ltd, Blagrove House, Blagrove Street, Reading RG1 1QA.

A Whitehead Mann Group PLC Company

whiteheadselection

FINANCIAL CONTROLLER

North East

to £35,000, car

To join a division of one of the principal UK subsidiaries of a respected European group, producing branded consumer products in substantial volumes for price sensitive consumer markets. This influential appointment requires a major contribution to be made at a time of significant change, not only in the overall control of the finance function, commercial interpretation of the prepared information and development of control systems, but also regarding inventory management, product costing and profitability contribution analysis. Candidates will be qualified ACMA, aged over 30 and preferably graduates, with a direct 'hands on' managerial style developed within a multi-process manufacturing environment, ideally able to demonstrate their valued contribution to the successful turn round of a high volume business. Please forward in absolute confidence a full curriculum vitae to Adderley Featherstone plc, The Grainger Suite, Dobson House, Regent Centre, Gosforth, Newcastle upon Tyne NE3 3PF. Tel: 091 284 2213. Fax: 091 285 1137.

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FINANCE DIRECTOR

Required by Bruxelles based International Investment Company with an impressive record of growth has plans to build on this success over the next few years.

The successful candidate will liaise directly with the Chief Executive and play an important role in the management and future development of the Group. Responsibility will be for all corporate financial management, taxation and treasury matters and together with the Chief Executive for relations with institutions worldwide.

Aged 38-50 candidates should be graduate Chartered Accountants with experience and a proven track record at Director level in an international company. A second European language would be an asset.

If you think you have the necessary qualifications and experience please send a full c.v. quoting ref. KR to Box A1705, Financial Times, One Southwark Bridge, London SE1 9HL.



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Nr Chester

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- instigate effective management information systems for all aspects of the business;
- undertake financial appraisal of

potential business expansion

opportunities:
• work closely with the Managing and Technical Directors to maintain the confidence of the shareholders.

As a qualified accountant, you should have substantial private sector experience gained at senior management level, possess excellent detailed financial management skills and be able to display considerable commercial acumen.

In addition to the quoted salary, car and performance bonus, we offer a relocation assistance where appropriate and further benefits expected of a major organisation.

To find out more call Bill Coggie, Director on 061-834 4181 (office hours), or 0484 655937 (evenings and weekends 7.30-9.30pm); alternatively write to him with full CV at Austin Knight Consulting, Ref F.427, 88 King Street, Manchester, M2 4WD.

FINANCIAL DIRECTOR**3C WASTE****Plant Controller****- Financial**

South Wales

The plant is part of the UK division of a successful and respected multinational. Turning over circa £100 million by supplying blue chip customers with precision engineered mechanical components necessitates financial management of the highest calibre.

Reporting to the company Financial Director you will be a key member of the Plant Executive managing a department responsible for providing a comprehensive financial service to the business and producing relevant forecasts and reports to tight deadlines.

Technical competence across both financial and management accounting disciplines is obviously essential but the emphasis will be on your managerial expertise and commercial acumen. We anticipate that you will have developed your skills in a similarly complex manufacturing environment where multi million pound investment in new products and capital is commonplace.

The role offers scope and challenge in the short/medium term and groupwide promotion prospects longer term. They offer a substantial, negotiable base salary, a significant bonus potential, and the usual benefits associated with a position of this seniority. A relocation package is available.

OPUS CONSULTING

To apply please telephone Robert Edwards or Julie Midwinter on (0792) 651533 or write enclosing full C.V. to OPUS Consulting Limited, 1st Floor, 101 Water Road, Swansea, SA1 5QF. Fax (0792) 651534.

Chief Internal Auditor

London

£25,461

SCF is the UK's largest international voluntary agency in its field with programmes in some 50 countries and a well established project base in the UK. To finance our work, we depend upon support from the general public, volunteers in over 800 local branches in the UK, the corporate sector, local authorities and central government.

The Internal Audit section is responsible for the financial and operational audit of the whole of the Fund's activities worldwide. As Chief Internal Auditor you will be responsible for planning and controlling the work of the section, also carrying out financial and operational audits both in the UK and overseas.

A qualified accountant (ACA, CACA or equivalent) with at least 6 years experience in internal or external auditing, you will have excellent interpersonal skills. These will include the ability to communicate effectively with staff at all levels showing tact and flexibility at all times. An understanding of and commitment to the proactive role of internal audit in operational value for money auditing is essential.

This position provides a unique opportunity to direct the work of Internal Audit in this high profile organisation. Regular travel will be involved, both in the UK and overseas.

For an application form please write to Jane Williams, SCF, 17 Grove Lane, London SE6 8RD.

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STEPHANIE COX-FREEMAN 071 873 402

Required by the

WORLD FOOD PROGRAMME**CHIEF - ACCOUNTS UNIT**

at Rome Headquarters



The World Food Programme (the Food Aid Organisation of the United Nations system) has a vacancy in Rome for the position of Chief, Accounts Unit. Applications would be welcome from experienced, dynamic Accountants who have a university degree in Accountancy/Finance or Business Administration or who are members of a recognized professional accounting body. Candidates should have experience in supervising a large number of staff with different cultural and educational backgrounds. Professional experience should include knowledge of a mainframe computerized accounting system and of PC applications. A minimum of seven years of progressively responsible professional experience in accounting, finance or budgetary field, and working knowledge of the English language are essential. Working experience in the UN system would be desirable.

The initial appointment will be for three years, with possibility of renewal. Starting salary, depending on qualifications and experience, will be from US\$ 57,284 to US\$ 77,756 net, tax free, plus allowances, relocation grant, education grant and other benefits of the International Civil Service.

Full Curriculum Vitae should be addressed to: Director of Personnel, World Food Programme, Via Cristoforo Colombo 426, Rome 00145, Italy.

Correspondence should be postmarked by 31 December 1991 quoting Vacancy Announcement No. MS-91-10-Ad.

Due to the volume of applications we receive, only those short-listed will be acknowledged.

REGIONAL FINANCIAL CONTROLLER THAILAND

An opportunity has arisen for a highly motivated financial executive to join a shipping and industrial conglomerate operating in Bangkok, Thailand.

The position calls for a dynamic and fast thinking individual with diversified industrial/public accounting experience.

As Financial Controller, you will report to the Executive Director - Thailand. The initial task will be to establish the financial and internal control systems, with responsibilities for financial accounting and analysis, budgeting, treasury, tax planning and management reporting. In addition, you are expected to contribute to the growth and development of the company through full involvement in corporate planning, formulation of strategy and monitoring of performance.

To take up this exceptional challenge, you should be a chartered accountant or equivalent with a recognised university degree and have 8-10 years of financial management/public accounting exposure, preferably gained with a multinational shipping company or shipyard. Previous related working experience in the Far East is preferably. Leadership skills, conceptual thinking, a high degree of maturity and initiative and the ability to work independently are essential personal attributes as are excellent written and spoken communication skills in English.

A competitive remuneration package and expatriate terms plus generous fringes including free housing, company car, home leave, provident fund, etc. together with good future career opportunities for progression will be offered to the right candidate.

Please send in strictest confidence detailed resume with full credential and salary history to the following address asap.

The Group General Manager
Personnel & Administration
International Maritime Carriers Limited
19/F, United Centre
95 Queensway
HONG KONG

مكزامن الأصيل